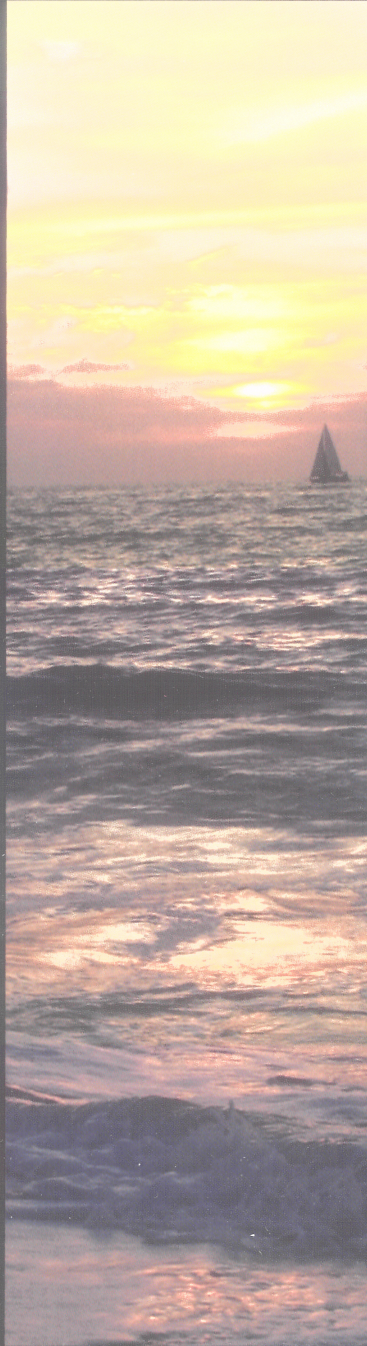


City of **CARLSBAD** California



C r e a t i n g a S u s t a i n a b l e C o m m u n i t y

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2007



1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department

Introductory Section

Financial Section

Statistical Section

CITY OF CARLSBAD
Comprehensive Annual Financial Report

Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Table of Contents	i
City Council's Five-Year Vision Statements	1
Letter of Transmittal	3
Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association	12
Location Map	13
List of City Officials	14
Organization Chart	15
<u>FINANCIAL SECTION:</u>	
Independent Auditor's Report	17
Management's Discussion and Analysis	19
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	34
Statement of Activities	36
Fund Financial Statements:	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	40
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	44
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	46
Statement of Net Assets – Proprietary Funds	48
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	52
Statement of Cash Flows – Proprietary Funds	54
Statement of Fiduciary Assets and Liabilities – Agency Funds	58
Notes to the Financial Statements	59
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	94
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Special Revenue Funds	98
Combining Schedule of Revenue and Expenditures – Budget and Actual (Budgetary Basis) – Debt Service Funds	100
Combining Schedule of Revenue and Expenditures – Budget and Actual (Budgetary Basis) Capital Project Funds	100
Combining Statement of Net Assets – Internal Service Funds	102
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	104
Combining Statement of Cash Flows – Internal Service Funds	106
Combining Statement of Changes in Assets and Liabilities – Agency Funds	110
Schedule of Annual Debt Service Requirements	112

CITY OF CARLSBAD
Comprehensive Annual Financial Report
Year Ended June 30, 2007

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>STATISTICAL SECTION:</u>	
Financial Trends:	
Net Assets by Component – Last Six Fiscal Years	118
Changes in Net Assets – Last Six Fiscal Years	120
Fund Balances of Governmental Funds – Last Ten Fiscal Years	122
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	124
General Governmental Tax Revenues by Source – Last Ten Fiscal Years	126
Revenue Capacity:	
Water and Sewer Rates – Last Ten Fiscal Years	127
Assessed Value of Taxable Property – Last Ten Fiscal Years	128
Principal Property Taxpayers – Current Year and Nine Years Ago	129
Property Tax Levies and Collections – Last Ten Fiscal Years	130
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	132
Schedule of Direct and Overlapping Bonded Debt – Current Fiscal Year	135
Direct and Overlapping Debt – Last Ten Fiscal Years	136
Legal Debt Margin Information – Last Ten Fiscal Years	138
Pledged-Revenue Coverage – Last Ten Fiscal Years	140
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years	142
Principal Employers – Current Year and Nine Years Ago	144
Operating Information:	
Authorized Full and $\frac{3}{4}$ Time City Government Employees by Major Service Area – Last Ten Fiscal Years	146
Operating Indicators by Function/Program – Last Three Fiscal Years	148
Capital Asset Statistics – Last Three Fiscal Years	149



Carlsbad City Council
2007
Five-Year Vision Statements



City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life for all who live, work, and play here.

Carlsbad . . .

- ◆ Provides a diverse and healthy economic base, provides opportunities for employment to the residents of Carlsbad, economic vitality to the community, and the necessary revenues to support City services.
- ◆ Policies and decisions implement the General Plan, enforce the Growth Management Plan, maintain the safety and security of its citizens, and are based on what is best for Carlsbad.
- ◆ Occupies a leadership role in local and regional planning, (e.g., water, beach, circulation, and environmental issues) important to local governments actively involved in addressing governmental issues at the local, state and national levels.
- ◆ Provides an open government for the betterment of the community and encourages, in a non-partisan manner, active citizen participation and involvement with the City Council and the City's Boards and Commissions.

And Carlsbad Efficiently and Effectively...

- ◆ Delivers top-quality public services.
- ◆ Manages its environment proactively, including:
 - Open space
 - Wildlife habitats
 - Water quality/conservation
 - Beach erosion
 - Air quality
 - Resource conservation and waste reduction
- ◆ Promotes a safe and efficient integrated transportation system.
- ◆ Maintains citywide "small town" community spirit.
- ◆ Provides a community where continuous and life-long learning is supported and encouraged for people of all ages.
- ◆ Looks ahead and works to anticipate changes that are required now in order to make a better future for its citizens.





City of Carlsbad

Finance Department

November 29, 2007

Honorable Mayor, City Council,
and Citizens of the City of Carlsbad
CITY OF CARLSBAD
Carlsbad, CA 92008

LETTER OF TRANSMITTAL 2006-07 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2006-07 Comprehensive Annual Financial Report for the City of Carlsbad. The information found in this report is provided by management to the City Council and the public to assist those interested in understanding the fiscal condition of the City as of June 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not outweigh its benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

State law and the City's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The independent auditing firm of Mayer Hoffman McCann has issued an unqualified ("clean") opinion on the City of Carlsbad's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Also, as a recipient of federal and state financial assistance, the City is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Compliance Reports and Other Financial Information. The results of the City's Single Audit for the fiscal year ended June 30, 2007 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

PROFILE OF THE CITY OF CARLSBAD

Carlsbad incorporated in 1952 as a General Law city, although its "village" area dates back more than 100 years. It is located about 35 miles north of the City of San Diego on the southern California coast. The City is governed by a five-member City Council under the Council/Manager form of government. The City



Council is elected at large on a staggered basis for a term of four years. The City Clerk and City Treasurer are also elected to four-year terms. The City Council appoints the City Manager and City Attorney.

The City covers approximately 42 square miles and has a population of 101,337, with an expected build-out population of 110,000 residents. Industries in the City include three shopping centers; a regional mall, a specialty outlet center and a community center; a major family theme park; an auto mall; over 3,700 hotel rooms for tourist lodging; high-technology, multimedia, communication, and biomedical businesses; electronics, golf apparel, and equipment manufacturers; several business and light-industry parks; and numerous land developers.



This report includes financial statements for the City, the Housing Authority of the City of Carlsbad, the Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. Through these entities, Carlsbad provides a full range of services to its citizens and customers including:

- Police protection services
- Development services
- Fire and paramedic services
- Street construction and maintenance
- Water delivery system
- Library and arts programs
- Wastewater system
- Recreation programming for all ages
- Solid waste services
- Park lands
- Housing programs

School programs and facilities are provided by four different school districts located, in part, within the City boundaries. Although the City Council has no direct control over these school districts, the City Council recognizes the importance of quality school facilities and programs to Carlsbad's residents. The City Council has worked closely with the schools in the past to provide assistance.

Budget Process

The Carlsbad Municipal Code requires that the City Manager annually prepare a budget for the City Council with a message describing important features, and assume responsibility for the budget's administration after adoption. The budget process begins in January each year with a review and update of the City Council's five-year vision statements and strategic goals

City of Carlsbad Strategic Goals

Balanced Community Development – A city that connects community, place, and spirit through balanced and economically sustainable land uses.

Citizen Connection & Partnership – A city that embraces Community connectivity through the effective use of technological and interpersonal mediums.

Communication – Ensure that community members, Council and staff are well informed, continuing to be a more responsive government while providing a high level of citizen confidence in its government.

Environmental Management – An environmentally sensitive community by focusing on: conservation, storm water, wastewater collection and treatment, solid waste, and cost-effective and efficient use of energy including alternative energy sources.

Financial Health – Pursue and implement proactive strategies that support sustainable economic health and manage fiscal resources effectively.

Learning, Culture & Arts – Promote and support continuous learning, cultural opportunities and the arts within the community and the City organization.

Parks/Open Space/Trails – Acquire, develop, and maintain a broad range of open space and recreational facilities that actively address citizen needs, which are fiscally responsible, and are consistent with the General Plan and Growth Management Standards.

Top-Quality Services – A city that provides exceptional services on a daily basis.

Transportation/Circulation – Provide and support a safe and efficient transportation system that moves goods, services, and people through Carlsbad.

Water – Ensure, in the most cost-effective manner, water quality and reliability to the maximum extent practical, to deliver high-quality potable and reclaimed water incorporating drought-resistant community principles.

for the City. The City Council also provides the City with its top priority projects, which further defines the Council's vision. The goals and priority projects outline the methods used to achieve the vision and call out areas upon which the City Council would like to place special emphasis during the year. Once these are developed, staff develops operational goals based on the City Council's direction. These operational goals are the basis for the development of the annual budget.

Budgetary control for the City is maintained through its accounting systems. The City Council adopts the formal budget at the beginning of each fiscal year and may amend it throughout the year as necessary. Expenditures may not exceed budgeted figures at the fund level. Monthly reports summarizing the results of operations for the City's more significant funds are provided to the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Profile

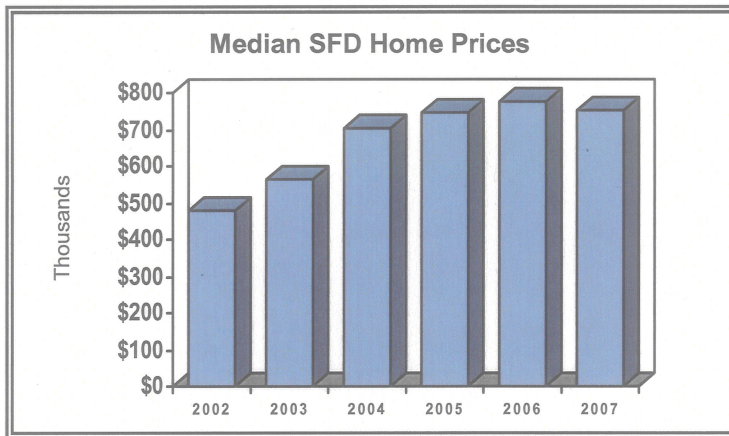
The University of San Diego (USD) tracks the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six items to evaluate growth trends in the San Diego economy: unemployment filings, want ads, local stock prices, consumer confidence, building permits and the strength of the national economy. The index declined in August 2007 by 1.4%, which makes the 16th consecutive monthly decline in the index in the last 17 months. The decline was primarily led by a weak housing market. The index reflects that local consumer confidence has fallen to its lowest level since October 2003.



Carlsbad's economy is tied closely to that of the San Diego region, although development patterns may differ. Carlsbad has experienced strong growth in Fiscal Year 2006-07 in property and Transient Occupancy Taxes (TOT). For Fiscal Year 2006-07, property taxes grew by 15%, reflecting the continued escalation in housing prices during Fiscal Year 2006-07, new development, as well as the return of \$1.8 million in property taxes that the State of California took from the City of Carlsbad during Fiscal Years 2004-05 and 2005-06. TOT, the City's gauge of the tourism industry, ended Fiscal Year 2006-07 showing a 12% gain, with a large part of that coming from the reopening of a major portion of one of Carlsbad's premiere resorts, as well as reflecting a full year of the West Inn and Suites, which opened in May 2006. Sales taxes slowed during Fiscal Year 2006-07 due to the slower economy as well as a decline in auto sales, however, even with the slow down, an additional \$600,000 came in over Fiscal Year 2005-06.

Carlsbad's residential real estate market has slowed significantly throughout Fiscal Year 2006-07. The City issued 472 residential permits this year, a decrease from the 943 in the previous year. The number of permits declined due to a lack of supply and a slowing economy. There are a number of new residential communities under construction or in the final phases of development that will add to the residential housing stock in Carlsbad. The Villages of La Costa projects known as the Oaks North, the Greens and the Ridge are under construction, and will add approximately 970 single-family and 450 multi-family units. The Bressi Ranch area is almost complete with 523 single-family and 100 multi-family units developed. In addition, the Robertson Ranch area, which is expected to contain over 1,000 residential units, is finishing up

its master plan. The completion of these master planned communities will signal an end to the large-scale residential developments in Carlsbad.



As the housing market has cooled, the housing prices have slowed as well. The median price for single-family homes in Carlsbad was \$777,000 for April 2006 compared to \$750,000 for April 2007, a decrease of 3.5%. The total assessed values in the City stand at over \$22 billion; an increase of nearly 58% over what they were just five years ago. With the new developments mentioned earlier starting to sell this year, the City has projected it will add about 2,117 more residential units and an additional 3.7 million square feet of

commercial/industrial development over the next five years. The City's residential housing stock is about 90% built out, with approximately 4,658 housing units remaining to develop.

Commercial and industrial development has been averaging 800,000 square feet per year. This is expected to remain about the same over the next five years to average 820,000 square feet per year with the large industrial developments including Carlsbad Raceway, Oaks North Industrial Park and the La Costa Town Center. Some of the major companies in town include the Gemological Institute of America, ViaSat, Invitrogen, Callaway, Taylor Made, Upper Deck, and many others.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, as well as generating additional sales taxes to help pay for City services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the Forum at Carlsbad - a commercial center with upscale retail shops, restaurants and other commercial uses.

Development has also enhanced Carlsbad's reputation as a destination resort for tourism. The City is host to a major family theme park: Legoland, and has two luxury resorts available for its visitors: the Four Seasons Resort at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the City, with the most recent addition being the West Inn and Suites, which opened in May 2006.

The City of Carlsbad opened a municipal golf course in August 2007, which is expected to further enhance the tourism attractions the City offers. The municipal golf course, The Crossings at Carlsbad, is an 18 hole, destination golf course set in the rolling hills and canyons of Carlsbad. With ocean views, high quality golf experience, a first class restaurant and clubhouse, and linkages to hiking trails, The Crossings at Carlsbad will be a destination spot for golfers and non-golfers alike.

For the future, there are several new tourist-serving projects in development. The La Costa Resort has been developing up to 197 commercial resort villas on their site, and part of the increases in TOT to date can be attributed to several of these villas coming on-line. As they are phased in over the next several years, it is expected to add over \$1.4 million in TOT when completed. Two hotels near the airport are expected to open during Fiscal Year 2007-08. The two hotels are the Hampton Inn and Homewood Suites, located near the McClellan/Palomar Airport. They are expected to add 249 hotel rooms, bringing the total available hotel rooms in the City to over 3,700. These two new hotels are estimated to generate \$500,000 per year in TOT. In addition, a new project next to Legoland is currently under construction and is expected to bring on 350 hotel rooms and 350 timeshare units. This project is expected to be phased in over time, and is expected to generate an additional \$1.4 to \$1.7 million per year in TOT.

The City's base sales taxes are projected to grow by 1.8% for Fiscal Year 2007-08 due to the slowdown in the economy. While the growth in housing prices is expected to moderate due to the cooling of the real estate market, there is a lag with the property tax revenue and therefore, according to the County Assessor, the City should expect property tax revenues to increase by over 11% for Fiscal Year 2007-08. New building permits are expected to continue to slow and the development related revenue items have been reduced accordingly for Fiscal Year 2007-08. And finally, tourism is expected to continue to be strong, with TOT receipts projected to grow by over 6% in the future, with the addition of more available rooms.

For Fiscal Year 2007-08, the City's revenue projections reflect a slowing of the economy due to a weak housing market, as well as higher oil and gas prices. Conservative increases are expected in most of the tax revenues with overall General Fund revenues increasing by 5.7%. One of the primary areas of risk in the forecast for Carlsbad is in the impact of the State of California's budget deficit discussed below.

State of California



In addition to the soft housing market and a slow economy, the State of California's fiscal problems also cast a shadow on the City's economic future. The State of California has been in a severe fiscal crisis for a number of years. Through a variety of loans, one-time revenues, interfund borrowings and raids on city, county and special district funds, the State has been able to manage its cash flows and stay solvent. However, more drastic measures will be needed for the State to finally get its budget in balance.

According to the Legislative Analyst's Office (LAO), the State is facing significant deficits in future years despite the stronger revenues seen in the past few years. The LAO's analysis of the Governor's budget proposal for 2007-08 reflects that the State is proposing to use a significant portion of their fund balance to cover their operating shortfall, and \$3 to \$5 billion shortfalls are expected to exist in each of the next several years. According to the LAO, the ongoing budget shortfalls result from the high reliance in the near term on one-time savings. The State has balanced its budget by taking City money in the past, and the risk is that they may find a way to make it happen again.

As a result of the continued attacks on cities' revenues, a coalition of cities, counties and special districts supported Proposition 1A which was approved by the voters in November 2004. The measure included a provision to help prevent the Legislature from reducing the combined property tax shares of cities, special districts, and the county, except to borrow the funds on a temporary basis to address a "severe state fiscal hardship."

Long-Term Financial Planning

It is the City Council's goal to ensure that the City remains in good financial health, and the City has taken a number of steps to attain that goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed along with development or that a financing plan is in place to pay for the facilities prior to the development of the property. Thus, the initial capital facilities needed to support the growing population are provided without financially impacting the City or its current residents. The City also prepares a 15+ year Capital Improvement Program. As part of the Capital Improvement Program, the amounts needed to pay for the various projects as well as the operating budget impacts are calculated. In this way, we can anticipate the effects of development from both a capital and an operating perspective.

In order to assure that the City has the funds to replace these facilities as they age, an Infrastructure Replacement Fund was created. With this fund, the City is setting aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the City's infrastructure is relatively new; therefore, the City has not felt the full impact of maintenance. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, when needed, will be performed on streets, parks, and the many facilities for which the City is responsible. During Fiscal Year 2008, the City

Council approved allocating \$7.9 million or 6.5% of the General Fund revenues to the Infrastructure Replacement Fund. During Fiscal Year 2007, the City increased the allocation to the Infrastructure Improvement Fund from 4.0% of General Fund revenues to 6.5% of General Fund revenues due to the City's current financial strength, as well as the desire to plan for the future to create and maintain a sustainable community.

In addition to these steps, the City prepares a ten-year financial forecast for the General Fund each year, in order to understand the effects of actions taken today on the City's future. The City has experienced strong revenue growth over the past ten years due to the development of the majority of its commercial sites. The future will bring a few more commercial sites but at a slower pace, while residential development is expected to slow over the next few years especially with the current weak housing market. There are also quite a few City facilities – mainly parks and civic facilities – planned in the future to serve the growing population. The new facilities will add operating costs to the City's General Fund budget as they are completed and opened for use.

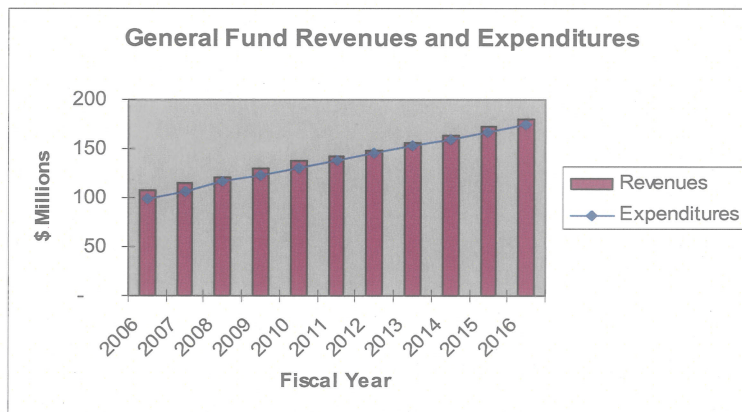
These factors alone will cause the General Fund costs to escalate at a higher rate than inflation. In addition, a number of other factors, including health care costs, have created upward pressure on expenditures, especially over the past several years. These factors have been incorporated into the General Fund forecast shown below and projected over the next ten years. While no forecast is ever totally accurate, it does represent a likely scenario given the assumptions on which it is built.

This forecast assumes that revenue growth will continue at a moderate pace in 2008 and into the future. To project the expenditures, the 10-year forecast includes all known personnel costs including any benefits negotiated with the employee groups.

The forecast assumes 10% increases in health care costs in the near future, slowing to 5% in the future. It also assumes personnel growth (new positions) to remain rather flat at no more than 2% per year. Cost of living increases between 3% and 5% have been added to personnel costs. Pension plan costs are anticipated to remain essentially at current levels. It assumes that the contribution from the General Fund to the Infrastructure Replacement Fund remains at 6.5% of General Fund revenues. And finally, it includes estimated operating costs for General Fund capital projects in the timeframes shown in the Capital Improvement Program (CIP). One of the biggest assumptions in the forecast is that services as reflected in the Fiscal Year 2008 Adopted Budget will remain the same. No new services have been anticipated, although growth in current services to match the growing population and increases in the consumer price index have been incorporated.

The results show that the General Fund is balanced into the future with a slight surplus in each year of 2% to 7% depending on which year. This achieves the goal set out by Council to maintain a balanced budget.

The ability to understand the future impacts of both changes in revenue sources as well as program needs is crucial to ensure that the City has the funds available to make its future plans come true. The General Fund financial forecast is a tool available to the City to achieve the goal of managing its fiscal resources effectively and monitoring the achievement of sustainable economic health for the City of Carlsbad.

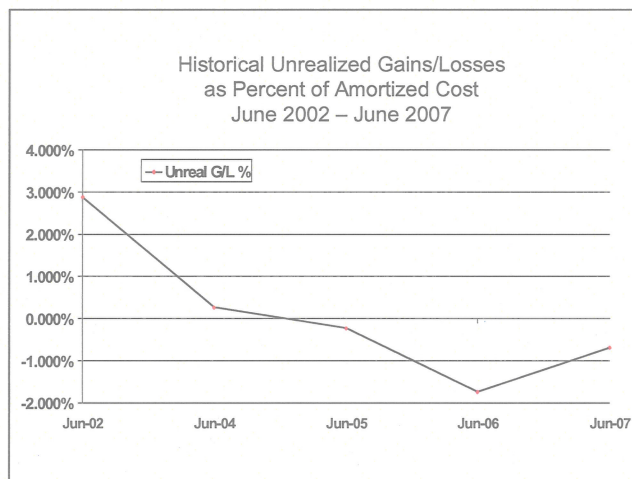


Cash Management

The City Treasurer is charged with the design of an effective cash management and investment program consistent with legal requirements and the Carlsbad Investment Policy. The City annually adopts a comprehensive investment policy specifying, among other things, investment objectives and strategy, type, and term of investments, reporting requirements, and investment oversight. The City's investments generally include federal agencies, corporate notes, and investments in the State Treasurer's investment pool. The modified duration of the investments in the City's investment pool as of June 30, 2007 was 1.686. The average return realized on the pooled investments rose from 3.98% in Fiscal Year 2005-06 to 4.37% for Fiscal Year 2006-07.

Investment income shown in the financial statements includes changes in the fair value of investments as required under GAAP. Increases or declines in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts. This is especially true as the City holds most of its investments to maturity rather than selling them at fair value.

The graph at the right shows the amount of unrealized income reflected in the portfolio over the last few years. The total portfolio had an unrealized loss in Fiscal Year 2006-07. According to the City Treasurer, "The total portfolio had less of an unrealized loss in FY 06-07 than in FY 05-06. This unrealized loss occurred as investments with high interest rates matured and were reinvested in slightly lower market rates. It is likely that this trend will decline slightly in FY 07-08 as investments with higher interest rates are called and reinvested at today's lower market rates."



Major Initiatives

Public safety has always been, and remains, a top Council priority. After reviewing the current staffing requirements and the population growth in the City, it was evident that there was a need to add new Public Safety personnel to maintain the current service levels in the community. In Fiscal Year 2007-08, the Police Department added four positions to serve the public and the Fire Department added one position.

Several significant projects are in design or under construction over the next few years. These include:

- The **Alga Norte Park and Aquatic Center** consists of 30 acres in the Southeast Quadrant with planned amenities that include ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms, parking facilities, and an aquatic center. The aquatic center will include a 50-meter competition pool, a 12-lane instructional pool and a therapy pool as well as a water play area with slides. A swimming pool complex was one of the projects approved by the voters through Proposition C in 2002. The total cost of the park is estimated to be \$22.1 million. The total cost of the aquatic center is estimated to be \$28.3 million. At this time, construction is scheduled to start in early 2008. Construction will take approximately two years.



- The construction is complete on the City's new 18-hole golf course, **The Crossings at Carlsbad**. The golf course opened in the summer of 2007 and is located along the north side of Palomar Airport Road at Hidden Valley Road.

The estimated cost for construction and start-up expenses are \$55 million. This destination public golf course is 6,835 yards and includes a 28,000 sq. ft. clubhouse and a practice center. Half of the 400-acre site will be preserved for habitat and will help tie together more than 1,000 acres of Open Space in the central part of the City. The City has contracted with Kemper Sports Management (KSM) for operations of the course.



- A 20,000 square foot community facility and gymnasium is planned for the **Pine Park Community Center**. The facility will include basketball, volleyball, gymnastics, multi-purpose rooms, meeting rooms, a teen center and office space. Design of this \$9.4 million facility is expected to begin in Fiscal Year 2009-10 and construction is still scheduled to begin in Fiscal Year 2010-11.
- Phase II of the 42-acre **Poinsettia Park Community Center** includes amenities such as a community facility/gymnasium, enclosed soccer field, tot lot, picnic areas, tennis complex including a clubhouse and stadium court, and additional parking. The total cost is expected to be approximately \$12.5 million and the project is scheduled to start in Fiscal Year 2010-11.
- **Poinsettia Tennis Courts** – Plans are currently underway to build seven tennis courts with lighting at the Poinsettia Park. The facility will also receive additional parking and construction is scheduled to begin in Fiscal Year 2008-09. The estimated cost of the Tennis Courts and Parking is \$2.1 million.
- The **Public Works Center** will include offices, shops, a yard, warehouse and parking to accommodate the Public Works Department. Initial estimates put the cost at approximately \$27.3 million.
- The **Safety Training Center** project was authorized under Proposition C, which was approved in 2002. Preliminary design work is currently underway. In addition to a shooting range, the facility may include a fire training tower, residential training prop, and a fire administration building with classroom and storage facilities. There is currently \$950,000 budgeted for design only. Once the design is complete, the construction budget will be developed and funding sources will need to be identified.
- The **Library Learning Center** will provide a permanent location for the Adult Learning and the Centro de Información programs. The existing building adjacent to Holiday Park will be remodeled and a second story, approximately 5,000 square feet, will be added for a total cost of \$6.1 million.



- **Fire Station No. 6 Relocation** – Fire Station No. 6 is currently located in a temporary facility in the Southeast Quadrant of Carlsbad. The relocation of this station to a new 6,200 square foot permanent facility along the east side of Rancho Santa Fe Road is progressing and a contract has been awarded for construction. Total cost is approximately \$5.8 million. This fire station is required to help ensure a five-minute response time within the southeast part of the City as development in that area occurs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carlsbad for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

This report has been a joint effort by many people from many different areas of responsibility. It could not have been accomplished without their help and the dedicated efforts of all of the accounting staff, especially Kevin Branca, Assistant Finance Director. I also appreciate the staff of Mayer Hoffman McCann for the professional way in which the audit of this financial report was conducted. It has been a pleasure to work with them throughout this period. Additionally, I would like to thank the City Council and the City's Leadership Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the City of Carlsbad's finances.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Lisa Irvine', with a stylized flourish at the end.

LISA IRVINE
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carlsbad
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

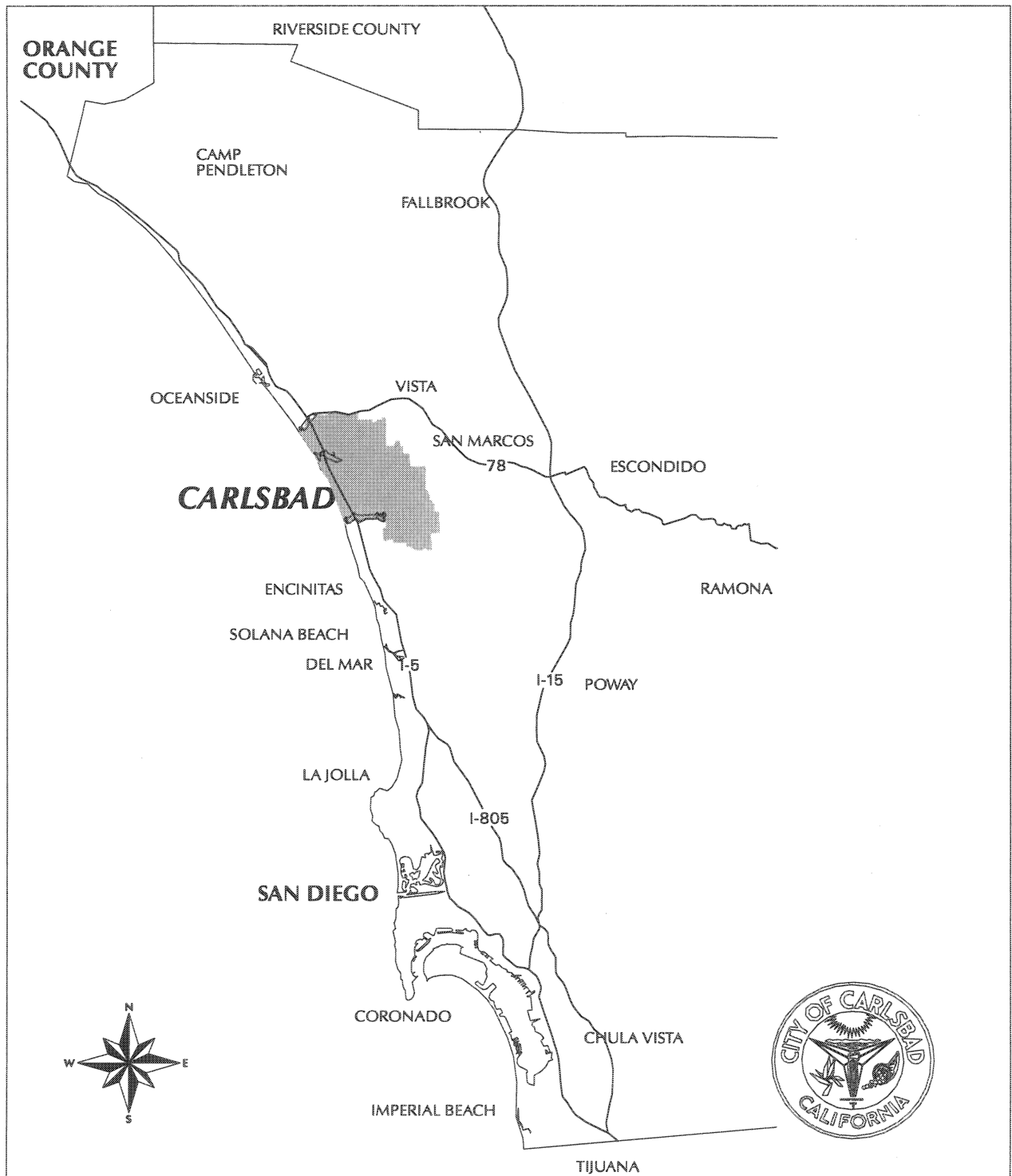


A handwritten signature in black ink, appearing to read "Thomas J. Hain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Claude A. "Bud" Lewis, Mayor
Ann J. Kulchin, Mayor Pro Tem
Matt Hall, Council Member
Julie Nygaard, Council Member
Mark Packard, Council Member

Lorraine M. Wood, City Clerk
Harold "Mac" McSherry, City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

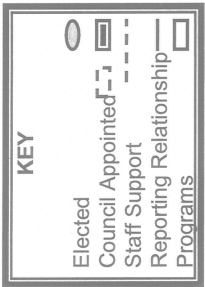
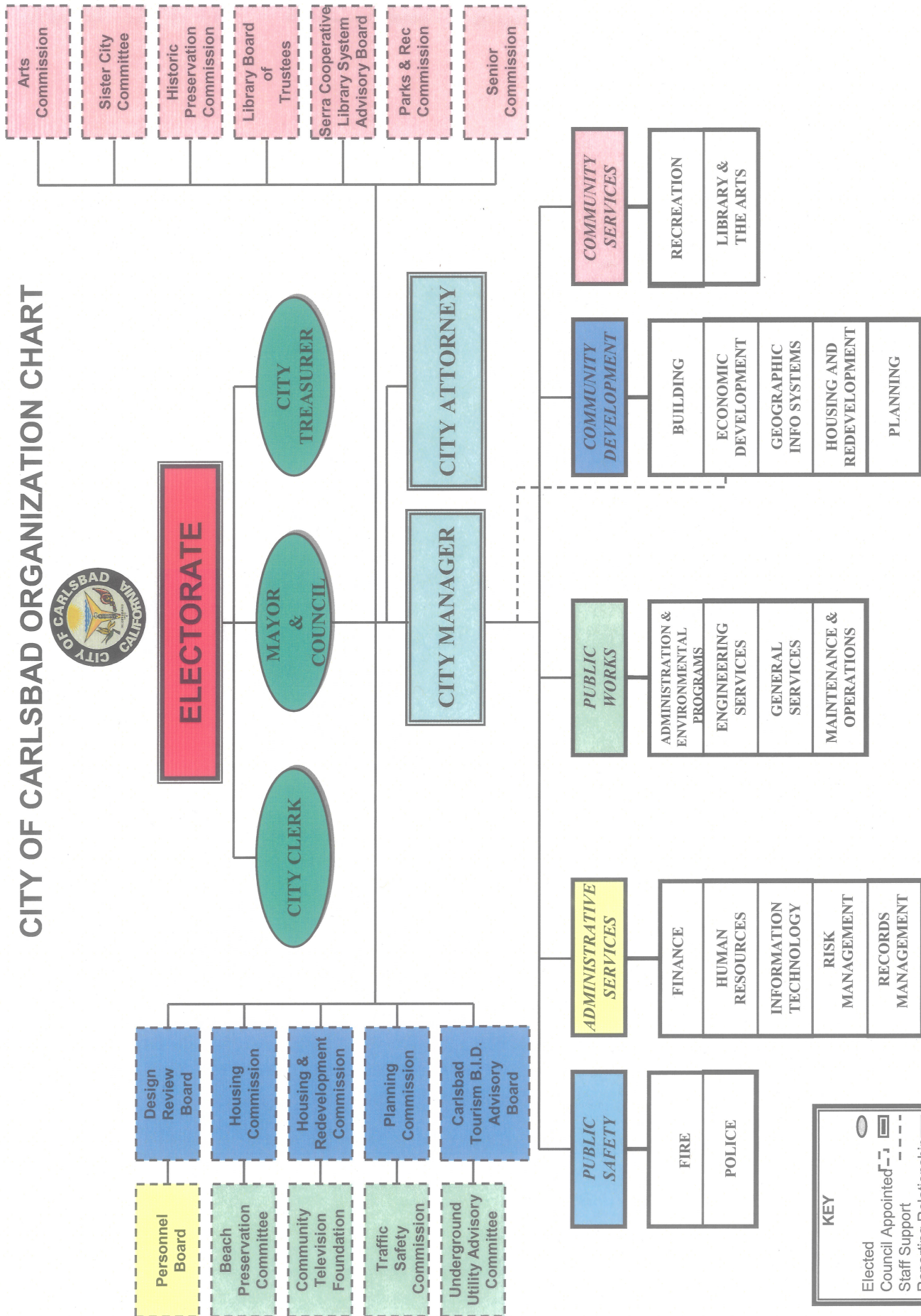
Lisa Hildabrand, Interim City Manager
James F. Elliott, Deputy City Manager
Glenn Pruim, Public Works Director
Sandra Holder, Community Development Director
Tom Zoll, Police Chief
Kevin Crawford, Fire Chief
Ron Ball, City Attorney

Julie Clark, Human Resources Director
Greg Clavier, Public Works Manager, General Services
Will Foss, Principal Building Inspector
Debbie Fountain, Housing & Redevelopment Director
Conrad "Skip" Hammann, Special Projects Director
Lisa Irvine, Finance Director
Robert Johnson, Deputy Public Works Director
Erin Letsch, Risk Manager
Donald Neu, Planning Director
Gordon Peterson, Acting Information Technology Director
Heather Pizzuto, Library Director
Ken Price, Recreation Director
Mark Stone, Deputy Public Works Director, Maintenance and Operations

CHAIRPERSONS, COMMISSIONS AND BOARDS

Heath Fox	Arts Commission
Richard Erhardt	Beach Preservation Committee
April Shute	Carlsbad Tourism Business Improvement District Board
Bob Bender	Community Television Foundation
Vacant	Design Review Board
Sue Ladouceur	Historic Preservation Commission
Vacant	Housing Commission
Claude A. Lewis	Housing and Redevelopment Commission
William Kamenjarin	Library Board of Trustees
Jim Craig	Parks and Recreation Commission
Donald Martin	Personnel Board
Julie Baker	Planning Commission
Jack Nelson	Senior Commission
Vacant	Serra Cooperative Library System Advisory Board
Jacque Thye	Sister City Committee
Susan Gardner	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

CITY OF CARLSBAD ORGANIZATION CHART





Introductory Section

Financial Section

Statistical Section



Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

City Council
City of Carlsbad, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Carlsbad. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, of the City of Carlsbad, California and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



City Council
City of Carlsbad, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
November 19, 2007

Management's Discussion and Analysis

As management of the City of Carlsbad ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

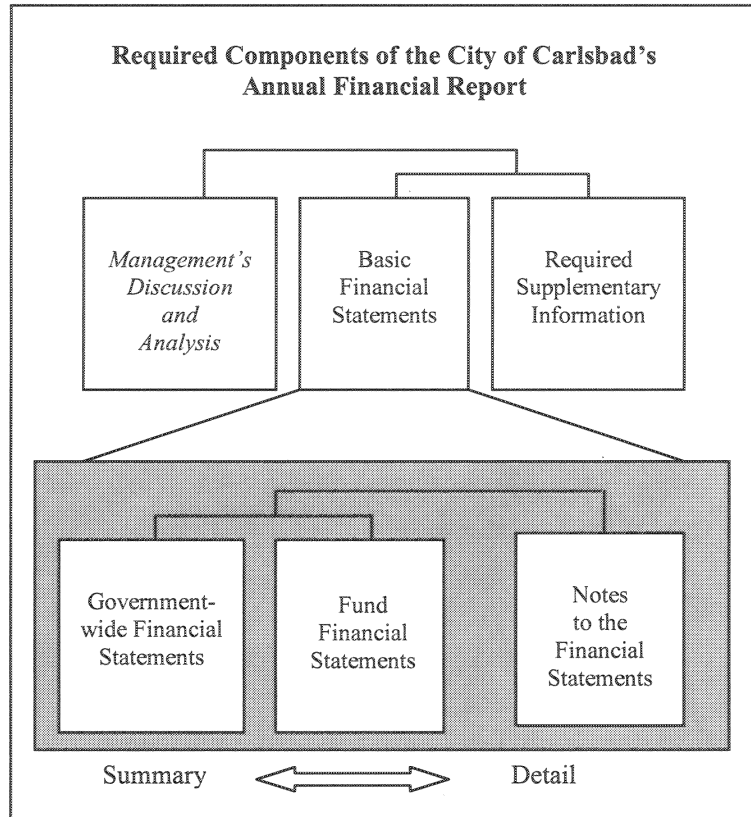
Overview of the Financial Statements

This section of the annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City's operations in *more detail* than the Government-wide Statements.
 - The *Governmental Funds Statements* detail how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary Fund Statements* offer *short- and long-term* financial information about the activities the City operates *like businesses*, such as the water and wastewater services.
 - *Fiduciary Fund Statements* provide information about the financial relationships – such as contractor and miscellaneous deposits – in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are accompanied by *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining fund statements that provide detail about our non-major governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.



Government-wide Financial Statements

The Government-wide Financial Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City's *net* assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health, or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether the City's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Government-wide Financial Statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of certain services it provides. The City's water, wastewater, solid waste services and municipal golf course are the primary business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and bond covenants, while the City establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Rental Assistance Fund).

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. These statements are presented on a modified accrual basis of accounting. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. There are currently four governmental fund types being used by the City: the *General Fund*, *special revenue funds*, *debt service funds* and *capital project funds*.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information, and are presented on an accrual basis of accounting.
 - There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
 - We use *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, wastewater, trash and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.

- We use *internal service funds* to report activities that provide services and supplies for the City's other programs and activities – such as fleet, self-insured benefits, and information technology.
- *Fiduciary funds* – These funds are used to account for situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Net Assets

The City's *combined* net assets as of June 30, 2007, as shown below, were \$1.4 billion. The City's net assets increased by \$102.9 million during the current fiscal year. Approximately 28% of this increase represents the degree to which increases in operating revenues have exceeded increases in operating expenses. Approximately 72% represents one-time capital grants and contributions received by the City for the purchase and acquisition of infrastructure and other capital assets.

CITY OF CARLSBAD'S NET ASSETS (in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-07
Current and other assets	\$432.4	\$474.8	\$99.4	\$109.0	\$531.8	\$583.8	9.8%
Capital assets	617.6	658.4	250.5	305.4	868.1	963.8	11.0%
Total assets	1,050.0	1,133.2	349.9	414.4	1,399.9	1,547.6	10.6%
Long-term debt outstanding	13.1	13.1	15.9	54.0	29.0	67.1	131.4%
Other liabilities	23.0	20.0	13.8	23.5	36.8	43.5	18.2%
Total liabilities	36.1	33.1	29.7	77.5	65.8	110.6	68.1%
Net assets							
Invested in capital assets, net of related debt	604.1	646.0	234.5	253.6	838.6	899.6	7.3%
Restricted	212.1	221.4	107.9	47.2	320.0	268.6	-16.1%
Unrestricted	197.7	232.7	(22.2)	36.1	175.5	268.8	53.2%
Total net assets	\$1,013.9	\$1,100.1	\$320.2	\$336.9	\$1,334.1	\$1,437.0	7.7%

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City of Carlsbad, assets currently exceed liabilities by \$1.4 billion at the close of the most recent fiscal year.

A large portion of the City's net assets (63%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves usually won't be used to liquidate these liabilities.

An additional portion of the City's net assets (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$268.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

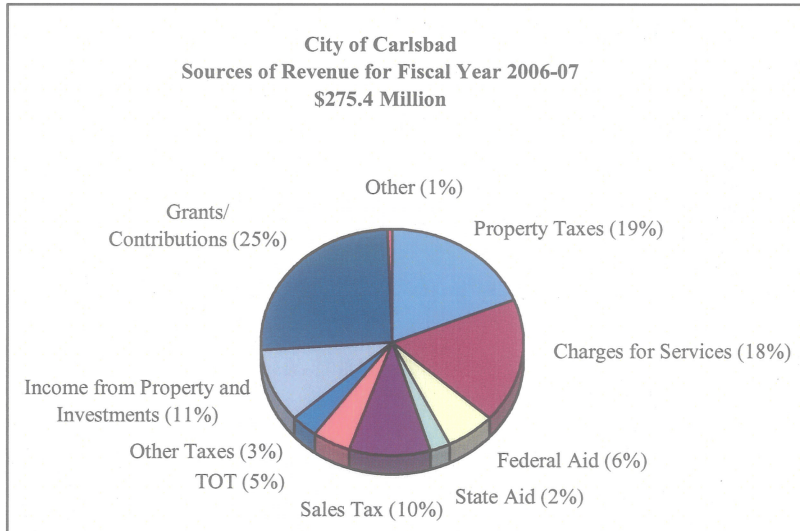
Just under 59% of the \$232.7 million in unrestricted governmental activities net assets is attributable to the General Fund. Unrestricted net assets for the City's business activities increased by \$58.3 million during Fiscal Year 2006-07. Beginning in Fiscal Year 2006-07, the City began reflecting funds set aside for the replacement of water and wastewater infrastructure as unrestricted net assets, since these funds are not restricted per the GASB. The deficit unrestricted net assets at the end of Fiscal Year 2005-06 were the result of the General Fund advancing money to the Golf Course and Solid Waste funds.

Changes in Net Assets

The condensed summary of activities, which follows, shows that net assets increased by \$102.9 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net assets: an emphasis on efficiencies resulting in a reduction in expenses/expenditures, \$15.5 million in "savings" in the General Fund being carried forward into the new fiscal year by various major service areas within the City to enhance and provide for future services and programs, the build-up of cash reserves in the City's capital project and enterprise funds for future capital project construction and acquisition, revenues received in the City's special revenue funds for future services and programs, and the donation of infrastructure assets from developers.

CITY OF CARLSBAD'S CHANGES IN NET ASSETS (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-07
Revenues							
Program revenues							
Charges for services	\$18.1	\$17.2	\$28.2	\$31.7	\$46.3	\$48.9	5.6%
Operating grants and contributions	12.1	17.6	0.7	2.3	12.8	19.9	55.5%
Capital grants and contributions	39.3	49.3	11.2	25.1	50.5	74.4	47.3%
General revenues							
Property taxes	43.9	49.3	2.3	2.5	46.2	51.8	12.1%
Sales and use taxes	25.4	27.4	-	-	25.4	27.4	7.9%
Other taxes	21.9	22.6	-	-	21.9	22.6	3.2%
Income from property and investments	11.7	21.5	3.5	7.6	15.2	29.1	91.4%
Other	1.3	1.3	0.1	-	1.4	1.3	-7.1%
Total revenues	173.7	206.2	46.0	69.2	219.7	275.4	25.4%
Expenses							
General government	15.4	12.3	-	-	15.4	12.3	-20.1%
Public safety	35.8	38.3	-	-	35.8	38.3	7.0%
Community development	14.3	13.9	-	-	14.3	13.9	-2.8%
Community services	16.8	17.9	-	-	16.8	17.9	6.5%
Public works	36.0	37.3	-	-	36.0	37.3	3.6%
Interest on long-term debt	1.0	0.7	-	-	1.0	0.7	-30.0%
Carlsbad Municipal Water District	-	-	24.1	40.4	24.1	40.4	67.6%
Wastewater	-	-	8.3	9.6	8.3	9.6	15.7%
Other business-type activities	-	-	4.2	2.1	4.2	2.1	-50.0%
Total expenses	119.3	120.4	36.6	52.1	155.9	172.5	10.6%
Excess (deficiency) before transfers	54.4	85.8	9.4	17.1	63.8	102.9	61.3%
Transfers	(0.3)	0.4	0.3	(0.4)	-	-	
Increase (decrease) in net assets	54.1	86.2	9.7	16.7	63.8	102.9	61.3%
Beginning net assets	959.8	1,013.9	310.5	320.2	1,270.3	1,334.1	5.0%
Ending net assets	\$1,013.9	\$1,100.1	\$320.2	\$336.9	\$1,334.1	\$1,437.0	7.7%

Just over 48% of the revenues of the City's governmental funds are generated through taxes collected (property, sales, transient occupancy tax, etc.), and just under 46% of the City's business-type revenue is generated through charges for services. The chart to the right graphically depicts the City's revenue sources.



A major factor in the large increase in operating grants and contributions was the \$6.3 million reimbursement the City received from the Federal Highway Administration for reimbursement of the 2005 winter storm damage in the City. In addition, developers in La Costa Greens, La Costa Oaks, La Costa Ridge, Calavera Hills, and Bressi Ranch contributed over \$48 million in infrastructure to the City in Fiscal Year 2006-07, accounting for the large increase in capital contributions. Income from property and investments was impacted by a 41% increase in the fair market value of investments adjustment made at June 30, 2007 as compared to the previous year end adjustment (GASB 31 application), a 10% increase in the average yield on the Treasurer's portfolio for the fiscal year, an overall increase in the City's total cash of just under 10% for the year, and interest earned by the General Fund on the advance from the City's General Fund to the Golf Course Fund.

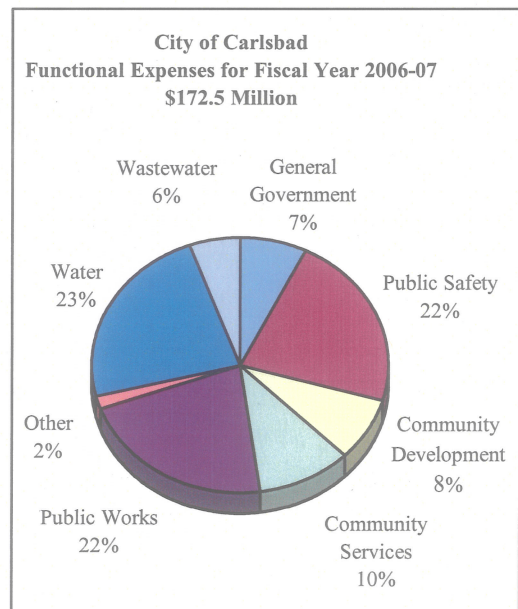
The total cost of all programs and services was just under \$173 million in Fiscal Year 2006-07. Some of the significant factors affecting the change in expenses from Fiscal Year 2005-06 to Fiscal Year 2006-07 included the cost of the 2005 winter storms in the previous fiscal year (reduction in general government expenses), the transfer of tourism funding from the General Fund to the Carlsbad Tourism Business Improvement District Agency Fund (a reduction in Community Development expenses), the City settled a lawsuit regarding a landslide at the Marbella Condominiums for \$11.3 million (increase in Carlsbad Municipal Water District expenses), the transfer of funds from the enterprise funds to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45 (an increase in CMWD and wastewater expenses), and the capitalization of interest expense on the construction of the golf course (a reduction in Golf Course Fund expenses). The City's expenses cover a range of services:

- General Government (7%)

This segment of the City is divided into two major groups, the Policy and Leadership group and the Administrative Services group. The Policy and Leadership group encompasses all elected officials, the chief executive offices for the City and the Communications team. The Administrative Services group includes Finance, Human Resources, Information Technology, Risk and Records Management.

- Public Safety (22%)

Public Safety has always been a top City Council priority. This major service area includes the Police Department, whose goal is to provide quality service to the community to ensure the preservation of life and property and the maintenance of law and order. The Fire Department is also part of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and our environment.



- Community Development (8%)

The mission of Community Development is helping people build a strong community by guiding and facilitating high quality projects, preserving the environment, providing for diverse housing and employment, and maintaining a strong economic base. Community Development encompasses the Land Use Planning, Geographic Information Systems (GIS), Economic Development, the Hiring Center, Housing and Redevelopment, and Building Inspection.

- Community Services (10%)

Community Services consists of the Libraries, Cultural Arts, Recreation, Park Planning, and Senior Citizen programs. These programs are provided to a wide range of people and assist in their education and cultural development.

- Public Works (22%)

Public Works is responsible for building and maintaining all of the infrastructure assets of the City. This service area includes Engineering, Parks, Streets, Medians, Street Trees, the Buena Vista Channel, and Facilities Maintenance, Building Maintenance, Street Lighting and Traffic Sign and Signal Maintenance programs.

- Water Operations (23%)

The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable and recycled water service to approximately 85% of the City (approximately 27,000 customers). The District purchases 100% of its potable water as treated water from the Metropolitan Water District and the San Diego County Water Authority. The District also provides recycled water for irrigation purposes.

- Wastewater Operations (6%)

The City of Carlsbad operates and maintains a sanitary sewer collection system, which covers approximately 65% of the geographic area of the City. Sewage is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the Cities of Carlsbad and Vista, the Leucadia County Water District, the Vallecitos Water District, the Buena Vista Sanitation District, and the Encinitas Sanitary District.

- Other Expenses (2%)

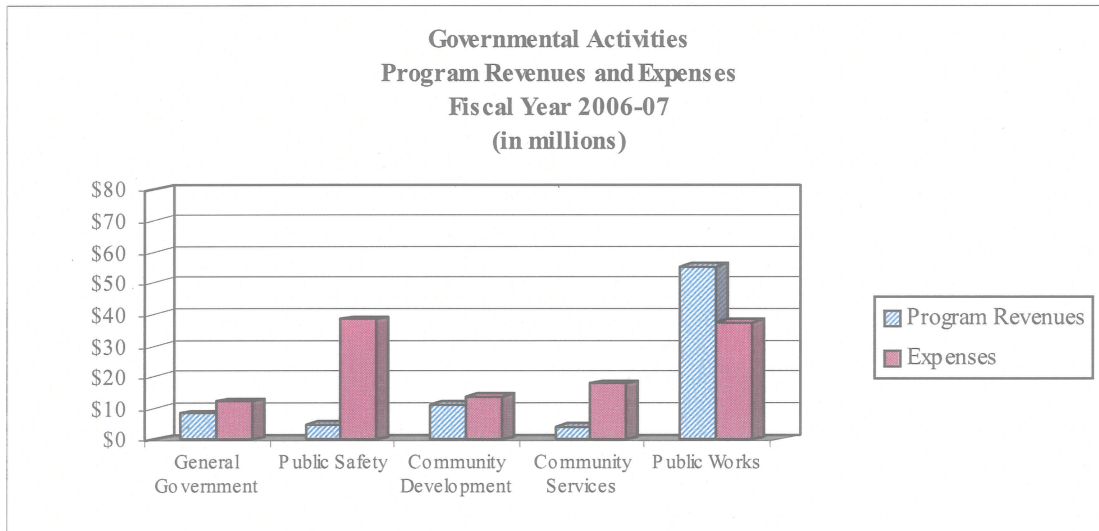
Other expenses include costs associated with the City's Solid Waste division, the City's Storm Water Protection Program, development of the City's new municipal golf course, and interest expense of the City's long-term debt that is associated with governmental activities.

The following sections will provide information about the operations of the governmental and business-type activities separately.

Governmental Activities

The increase in net assets for *governmental* activities was \$86.2 million. This increase was generated by total revenues of *governmental* activities of \$206.2 million (\$84.1 million in program revenues and \$122.1 million in general revenues) offset by \$120.4 million in total costs of *governmental* activities and a \$400,000 transfer in from the Water Fund.

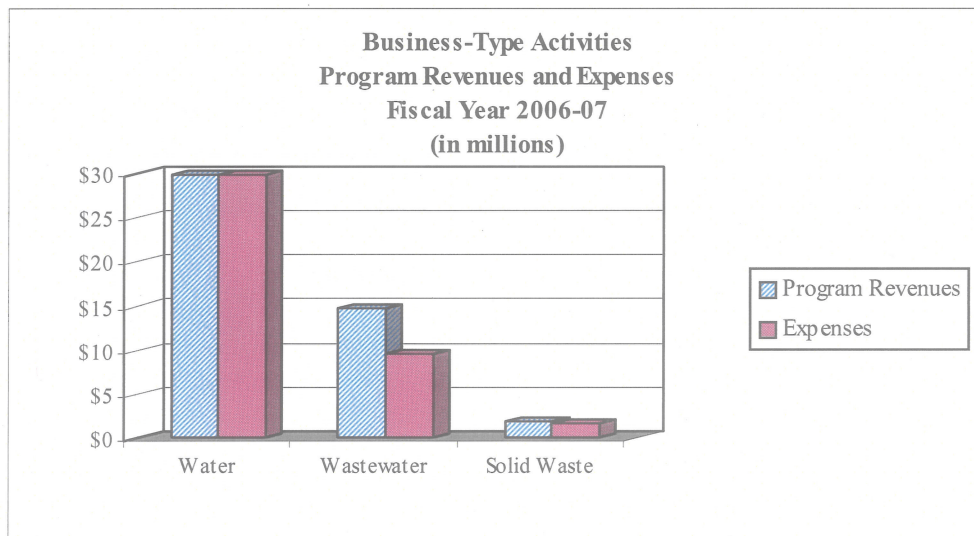
The table on the next page presents the total cost of each of the City's major programs, as well as each function's program revenue (fees generated by the activities, contributions, and intergovernmental aid). The net cost (the difference between adjoining bars in the graph) shows the financial burden that was placed on the City's taxpayers by each of these functions (costs covered by general revenues).



Revenues are generated through several sources to cover the cost of the City's programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$17.2 million), grants and contributions from other governments and organizations which subsidize certain programs (\$66.9 million), and taxes and other revenues (such as income from property and investments) received by the City to pay for the "public benefit" portion, totaling \$122.1 million.

Program revenues exceed expenses in Public Works. The majority of Public Works revenues are used to acquire and build capital assets (versus covering operating expenses) that have not yet been constructed. Capital assets are generally constructed or purchased once sufficient revenue has been accumulated to pay for the cost. The City is currently in a developing or growing stage, and master plans are continuing to be designed to construct these new facilities, roads, parks, and other City-owned infrastructure.

Business-Type Activities



Program revenues for the City's business-type activities totaled \$59.1 million for the year, while functional expenses equaled \$52.1 million. The City golf course has recently been completed, so the program revenues and functional

expenditures are still minimal, and therefore not shown on the graph above. The course opened to the public in August 2007.

Water program expenses are unusually high in Fiscal Year 2006-07 due to two one-time expenses previously mentioned: CMWD settled a lawsuit regarding a landslide at the Marbella Condominiums for \$11.3 million and the Water funds transferred money to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45. Wastewater program revenues are higher than program expenses primarily due to capital contributions in the form of capital connection fees, and developer constructed assets donated to the City. Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses).

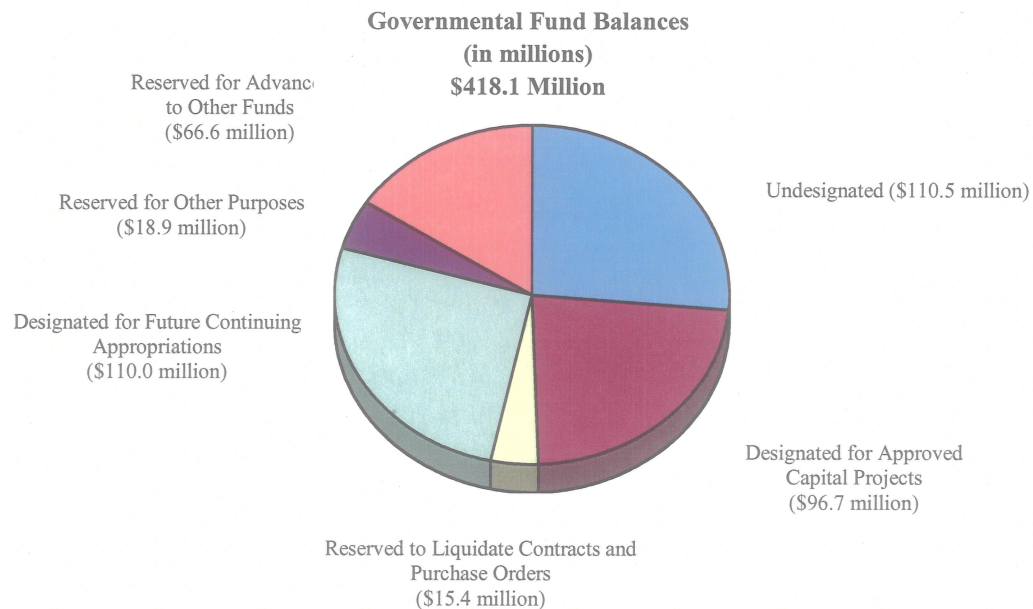
A more detailed discussion of each of the enterprises can be found in the Proprietary Funds Section.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), no changes were made in the reporting of any funds.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$418.1 million, an increase of \$33.7 million in comparison with the prior year. Approximately 27% of this amount (\$110.5 million) constitutes undesignated fund balance, which is available for spending at the government's discretion based on the purpose for which it was received. The remainder of the fund balance is reserved or designated to indicate that it is not available because it has already been committed (1) for future capital projects - 23%, (2) to liquidate contracts and purchase orders of the prior period - 4%, (3) for future programs - 26%, (4) advances to other funds - 16% or (5) for a variety of other restricted purposes - 4%.

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (in millions of dollars)				
	Total		Increase (Decrease)	Total Percentage Change
	2006	2007	2006-07	
Revenues				
Taxes	\$87.2	\$94.1	\$6.9	7.9%
Intergovernmental	1.1	9.3	8.2	745.5%
Licenses and permits	2.5	2.1	(0.4)	-16.0%
Charges for services	7.8	7.6	(0.2)	-2.6%
Fines and forfeitures	1.1	1.3	0.2	18.2%
Income from property and investments	2.4	5.9	3.5	145.8%
Miscellaneous	1.3	0.7	(0.6)	-46.2%
Total revenues	103.4	121.0	17.6	17.0%
Expenses				
General government	16.1	17.8	1.7	10.6%
Interdepartmental charges	(2.6)	(2.1)	0.5	-19.2%
Public safety	36.2	39.6	3.4	9.4%
Community development	7.1	6.9	(0.2)	-2.8%
Community services	15.4	16.4	1.0	6.5%
Public works	18.0	20.3	2.3	12.8%
Total expenses	90.2	98.9	8.7	9.6%
Excess (deficiency) before transfers	13.2	22.1		
Other financing sources (uses)	0.0	1.4		
Transfers	(6.0)	(7.5)		
Increase (decrease) in fund balance	7.2	16.0		
Beginning fund balance	99.4	106.6		
Ending fund balance	\$106.6	\$122.6		

The General Fund is the main operating fund of the City, and at the end of the fiscal year had a total fund balance of \$122.6 million, an increase of \$16.0 million. The unreserved fund balance portion of the General Fund was \$66.1 million, of which \$13.9 million was designated for future programs and service enhancements.

The increase in revenues was primarily due to the effects of a strong housing market (both resales and the construction of new homes) during the past couple of years on property taxes, continued strength in the tourism industry and the expansion of the La Costa Resort & Spa (higher transient occupancy tax), reimbursements received from the Federal Highway Administration (FHWA) for the 2005 winter storm

damage in the City, interest received from the Golf Course Fund on the advance from the General Fund, and unrealized gains on the City's investments (required to be reported under GASB 31). The largest factor in the decrease in license and permit revenues can be attributed to the slowdown in the building industry. For Fiscal Year 2006-07, 472 residential permits were issued, as compared to 943 permits issued during last fiscal year. Other financing sources revenue of \$1.4 million represented the sale of a piece of residential property that was donated to the City last fiscal year.

The increase in General Fund expenditures were driven by the following factors:

- Normal salary and benefit increases.
- An increase in police staffing and additional police overtime for added enforcement in downtown Carlsbad.
- The purchase of a new and a reserve ambulance.
- The proposed funding of retiree healthcare costs as required under GASB 45.
- A large decrease in expenditures to repair severe damage caused by the heavy rains from the 2005 winter storms.
- An increase in sidewalk, curb, gutter and street repairs.
- Continued focus on traffic signal maintenance and battery backup upgrades.
- Additional maintenance expenditures related to the newest City parks: Aviara Community Park and Hidden Canyon Park.
- Additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure.

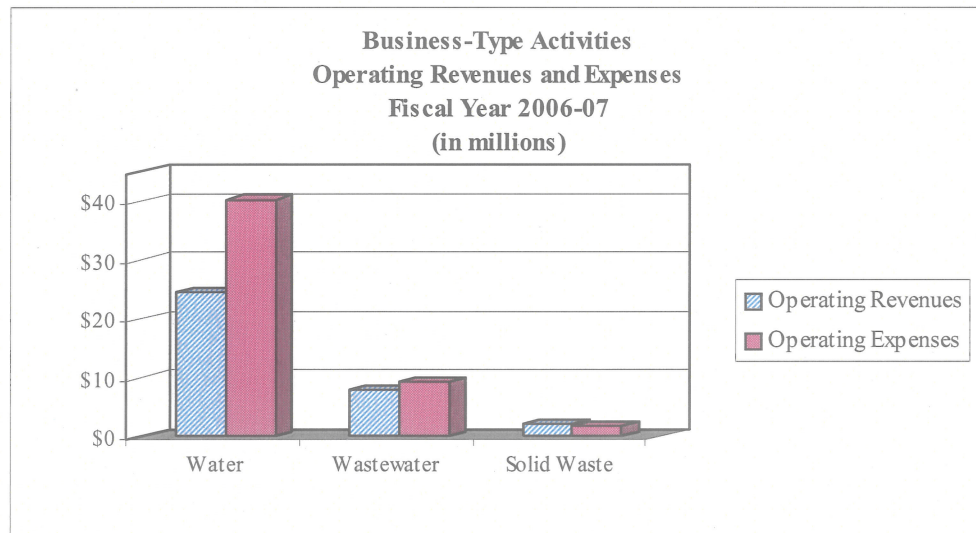
One major governmental fund, the Redevelopment Debt Service Fund, had a negative fund balance of just over \$12.9 million. This deficit was created when the City's General Fund loaned the agency money to cover debt service charges during the period soon after the agency's bonds were issued, but prior to the agency being able to support the debt service with property tax increment revenues alone. Over the past couple of fiscal years, the agency has begun to repay the \$14.9 million advance back to the City's General Fund, as the tax increment collected within the redevelopment area grows.

Of the six remaining major governmental funds, only one fund saw their fund balance decline during the fiscal year. The Assessment and Other Districts Funds purchased several large infrastructure assets including Poinsettia Lane, and Melrose Drive.

The five remaining major governmental funds, which are all capital project funds, had increases in their fund balances during the year. These increases in fund balances are predominantly designated for the construction or purchase of future capital assets.

Proprietary Funds

The purpose of the City's proprietary funds is to provide short and long-term financial information about the City's business-type activities. The analysis focuses on the determination of operating income, changes in net assets (cost recovery), financial position, and cash flows.



The Carlsbad Municipal Water District (CMWD) funds had an operating loss of approximately \$16.0 million for the year. Although water sales increased by almost 15% for the year from a combination of a 5% rate increase and an 8% increase in the number of units sold, CMWD also settled a lawsuit (including attorney costs) during the same time period regarding a landslide at the Marbella Condominiums for \$11.3 million. Another factor impacting the expenses in the water funds was the transfer of \$2.8 million from the CMWD funds to the Self Insured Benefits Fund (shown as general and administrative expenses in the financial statements) for the proposed funding of retiree healthcare costs as required under GASB 45. Increased fixed and variable costs from Metropolitan Water District and the San Diego County Water Authority (suppliers of the City's potable water), as well as increased depreciation expense due to newly constructed infrastructure assets, added to the operating loss for the year. In addition, the Carlsbad Water Recycling Facility was operational for all of Fiscal Year 2006-07, resulting in increased operating revenues and costs associated with the facility.

The Wastewater Funds had an annual operating loss of approximately \$1.4 million for the fiscal year. Total revenues from operations increased 16% from the previous year; the result of an 8.5% rate increase, as well as additional revenues received from the City of Vista to reimburse the City for their share of a wastewater project. However, the settlement costs with a contractor for the construction of a wastewater interceptor, increased depreciation expenses, the transfer of funds to the Self Insured Benefits Fund for the proposed funding of retiree

healthcare costs as required under GASB 45 (shown as general and administrative expenses in the financial statements), and higher wastewater plant operating costs, led to an operating loss for the year. Non-operating revenues (investment earnings) more than offset the operating loss, resulting in a gain of \$1.7 million for the year.

Solid Waste operations and the Storm Water Protection Program are combined on the City's financial reports, and showed a slight operating income for the year of \$107,000. Revenues increased slightly in the current year by approximately 4%. This increase is the result of additional customers receiving solid waste services in the City, as the City did not increase solid waste fees during the year. Operating costs increased 12% due to inflationary increases, the expansion of the Storm Water Protection Program and enhanced Solid Waste and recycling efforts.

The construction of the City's municipal golf course was nearly complete by the end of fiscal year, and opened to the general public in August 2007. The Golf Course Fund issued \$18.5 million in bonds during the year, with the first debt service payment due in September 2007. During the construction phase of the project, the City capitalized a portion of the interest expense incurred on the loan from the City's General Fund, netting an interest expense of only \$191,000 for the year. The loan from the City and the bond proceeds are anticipated to be repaid through user fees and other revenues of the golf course. If the golf course net revenue is not sufficient to cover the debt service payment, the General Fund will make the payment.

Unrestricted net assets for the Water, Wastewater, and Solid Waste operations at the end of the year amounted to \$81.8 million, or approximately a quarter of the net assets of these proprietary funds. These assets will be used for future rate stabilization efforts, any emergency situations and the replacement of infrastructure assets. Approximately 14% of the net assets of all the proprietary funds are restricted for future capital construction of new water and wastewater infrastructure assets. As the funding for the replacement of infrastructure assets is not restricted, it is reflected in the Statement of Net Assets as unrestricted. However, the City accounts for these amounts in separate funds, and monitors the balances maintained to ensure that water and wastewater assets can be replaced when needed. The unrestricted net assets in the Golf Course Fund represent funds advanced from the City's General Fund that can be used for either the construction or pre-opening operating costs of the municipal golf course.

General Fund Budgetary Highlights for Fiscal Year 2007

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the City. Estimated revenues were increased during this year by \$2.3 million to reflect the net effect of the following changes:

- The impacts on TOT from continued strength in the tourism industry and the expansion of the La Costa Resort & Spa.
- A slow down in the sale of new automobiles, affecting the City's sales tax revenues.
- Increased charges for planning services from the development activities at Robertson Ranch.
- A 10% increase in the average yield on the Treasurer's portfolio for the fiscal year.

The increase from the total original expenditure budget to the final budget amounted to \$5.3 million, due predominantly to:

- The transfer of funds from the General Fund to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45.
- Appropriating funds received from developers during the year for developer-funded studies.
- Budgeted expenditures associated with new grant revenues.
- Appropriating donations received.
- Appropriating additional sales tax revenues received as a result of sales tax auditing.

The difference between the final budgeted expenditures and the actual expenditures for the year on a budgetary basis of \$15.5 million can be generally summarized as follows:

- \$13.9 million in “savings” by the various major service areas within the City. Current year savings were generated from:
 - Unfilled vacancies.
 - Overall awareness of fiscal responsibility throughout the City.
 - Deferral of projects.
- ❖ \$13.9 million in “savings” are planned to be used for:
 - ⇒ Financial information system software upgrade.
 - ⇒ Human resources information system software upgrade.
 - ⇒ Additional technology and software upgrades at the various City facilities.
 - ⇒ Future replacement of the Police Department’s 800 MHz radios and department-issued guns.
 - ⇒ Upgrading the heating and air conditioning systems at several City facilities.
 - ⇒ Installation of energy retrofits at the Safety Center.
 - ⇒ Continuing the installation of emergency backup systems in the City’s traffic signals.
 - ⇒ Construction of picnic shelters at Poinsettia and Calavera Parks.
 - ⇒ Enhancing security features at the various parks throughout the City.
- \$1.6 million in unspent budget was not carried forward into Fiscal Year 2007-08. This represents items that, according to the City’s Budget Policy, are outside of the normal Block Budgeting Program, and therefore are not eligible to be carried forward into the new fiscal year.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31, and transfers in have been adjusted to reflect any transfer that was approved through the budget process as a revenue, but recorded as an advance in the financial statements; actual expenditures have been adjusted to include remaining encumbrances, and transfers out have been adjusted to reflect any transfer that was approved through the budget process as an expenditure but recorded as an advance in the financial statements.

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2006-07, the City had recorded an investment of just over \$963.8 million in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, drainage facilities, water and sewer lines, police and fire vehicles, and other maintenance equipment. This number includes infrastructure assets of the general government which are required per GASB 34.

CITY OF CARLSBAD'S CAPITAL ASSETS								
(in millions of dollars)								
	Governmental Activities		Business-Type Activities		Total		Change	Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-07	2006-07
Land	\$128.6	\$128.1	\$8.7	\$8.7	\$137.3	\$136.8	(\$0.5)	-0.4%
Construction in progress	101.4	111.3	77.7	81.4	179.1	192.7	13.6	7.6%
Buildings and other structures	69.5	70.2	16.9	20.2	86.4	90.4	4.0	4.6%
Improvements other than buildings	28.3	30.2	5.6	5.6	33.9	35.8	1.9	5.6%
Machinery and equipment	23.0	26.5	1.5	2.0	24.5	28.5	4.0	16.3%
Infrastructure	409.7	447.0	169.6	216.3	579.3	663.3	84.0	14.5%
Wastewater treatment facility	-	-	39.5	44.9	39.5	44.9	5.4	13.7%
	760.5	813.3	319.5	379.1	1,080.0	1,192.4	112.4	10.4%
Accumulated depreciation	(142.9)	(154.9)	(69.0)	(73.7)	(211.9)	(228.6)	(16.7)	7.9%
Total	\$617.6	\$658.4	\$250.5	\$305.4	\$868.1	\$963.8	\$95.7	11.0%

This year's major capital asset additions included:

- Pipes, pump stations and appurtenances related to the new Recycled Water Flow Equalization Facility
- Mahr Reservoir improvements
- Calavera Hills pump station
- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines and streetlights
- Completion of Hidden Canyon Park
- Seismic retrofitting of the Carlsbad Blvd. bridge
- Cole Library heating and air conditioning replacement
- Construction of the municipal golf course
- Construction of the library learning center
- Construction of Pine Avenue Park
- Development of the Coastal Rail Trail
- Intersection improvements at El Camino Real and Faraday Avenue
- Acquisition of the easterly extension of Poinsettia Lane, northerly extension of Melrose Drive and the widening of Palomar Airport Road
- Continued development of Rancho Santa Fe Road

In addition to carrying forward appropriations of \$150.7 million for previously budgeted projects, the City's Fiscal Year 2007-08 capital budget appropriates an additional \$32.8 million for capital projects. These additional appropriations are principally for park development, completion of the municipal golf course, construction of fire station #6, the pavement management program, Faraday Avenue extension, El Fuerte extension, Poinsettia Lane extension, miscellaneous street projects, Lake Calavera reservoir improvements, enhancing the sewer collection system, additional water lines, traffic signals, and miscellaneous civic projects, loans and repayments. These projects will be financed by development fees, infrastructure and replacement transfers from the General Fund, special district fees and taxes, water and sewer replacement reserves, and other sources including grants and contributions from other agencies. More detailed information about the City's capital assets is presented in Note 6 to the financial statements and in the City's Capital Improvement Program document, which can be obtained from the Finance Department.

Long-Term Debt

At year-end, the City had \$67.1 million in bonds, certificates of participation, loans, capital leases and agreements, an increase of \$36.0 million from last year, as shown in the table below. The increase in debt is attributable to additional loans made by the State Water Resources Control Board to the Carlsbad Municipal Water District for construction of the new recycled water facility, the issuance of \$18.5 million in bonds for the construction of the City's new municipal golf course, and capital leases for the purchase of golf course equipment. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

CITY OF CARLSBAD'S OUTSTANDING DEBT (in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-07
Bonds	\$12.1	\$11.7	\$0.0	\$18.5	\$12.1	\$30.2	149.6%
Certificates of participation	2.1	1.4	-	-	2.1	1.4	-33.3%
Loans	-	-	10.6	29.1	10.6	29.1	174.5%
Installment purchase agreement	-	-	6.7	6.1	6.7	6.1	-9.0%
Obligations under capital leases	-	-	-	0.7	-	0.7	100.0%
Less: Deferred charges/discounts	-	-	(0.4)	(0.4)	(0.4)	(0.4)	0.0%
Total	\$14.2	\$13.1	\$16.9	\$54.0	\$31.1	\$67.1	115.8%

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2007

- The State of California adopted its Fiscal Year 2007-08 Annual Budget with the following provisions affecting the City:
 - The State implemented the "Triple Flip" in Fiscal Year 2004-05, whereby the City's sales tax receipts were reduced by one-quarter, and this reduction was made up with property taxes equating to the same amount. This will continue in the 2007-08 Fiscal Year.
 - The "Triple Flip" swap will have no effect on the ultimate amount of revenue the City receives, but it will result in a delay in the timing of the receipt of money by the City.
 - No additional "contributions" from cities are included in the State's Fiscal Year 2007-08 Annual Budget.
- Net assessed values in the City stand at almost \$22.8 billion, more than double what they were just seven years ago.
- PERS rates for the miscellaneous plan have increased slightly for Fiscal Year 2007-08 from 19.810% to 20.478%, and have increased from 27.572% to 28.462% for the safety plan.
- Annual increases in the costs of health insurance.
- The Encina power plant continues to be reassessed downward annually due to a reduction in electricity generated, affecting tax increment revenues in the South Coastal Carlsbad Redevelopment Area and the franchise fees received by the City.
- The Consumer Price Index (CPI) for the western region of the United States for urban households increased by 3.0% during the twelve months ended November 30, 2006.
- The total number of housing units in Carlsbad grew by 3.9% in Calendar Year 2006, impacting budgeted expenditures for Fiscal Year 2007-08.
- Median home prices in Carlsbad have decreased by 3.5% from April 2006 (\$777,000) to April 2007 (\$750,000).
- Due to the results of the subprime mortgage markets on mortgage defaults and foreclosures, forecasted revenues for development related activities have been reduced.
- The expansion of the La Costa Resort and the addition of two new hotels will impact future TOT revenues.

All of these factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2007-08. Budgeted expenditures are expected to increase 9.5% to \$116.5 million. The increase is mainly due to an increase in the number of positions and other personnel costs. Personnel costs make up approximately 64% of the General Fund budget so any changes in these costs can have a significant effect on the total budget. In addition, the annual transfer to the Infrastructure Replacement Fund is being increased by \$700,000, to a total of \$7.9 million. The Habitat Management Program is a newly funded program in 2007-08, to address the maintenance and management of the City's various open space areas. The opening of Pine Avenue Park has impacted Fiscal Year 2007-08 budgets for both Community Services and Public Works. Adding to the adopted budget of \$116.5 for the General Fund, just under \$13.9 million in unspent Fiscal Year 2006-07 budgeted expenditures will be carried over to Fiscal Year 2007-08, as well as \$6.7 million in open encumbrances as of June 30, 2007.

As the City is approaching the build out of its remaining vacant land, the City is now ushering in a new era focusing on maintaining the City's infrastructure rather than building it. In an effort to address this issue, the City has developed an Infrastructure Replacement Fund (IRF). With this fund, the City sets aside money on an annual basis for major maintenance and replacement of its infrastructure. In the Fiscal Year 2007-08 Operating Budget, the City has budgeted a \$7.9 million transfer from the General Fund to the IRF, an increase of \$700,000 from the prior fiscal year, to meet future needs.

During the current fiscal year, the unreserved, undesignated fund balance in the General Fund increased to \$52.2 million due to the City of Carlsbad's fiscal discipline and a diverse economy.

With the exception of the Public Facilities Construction Fund (PFF), there appears to be sufficient revenues projected to build the projects listed in the Fiscal Year 2007-08 Capital Improvement Program (CIP). A large increase in the cost of construction materials has occurred over the past three years, pushing up the cost of all of the City's projects. This cost escalation has contributed to the projected shortfall of \$12.7 million at buildout in the PFF Fund. The PFF Fund shortfall at buildout in the Fiscal Year 2007-08 CIP is down from the \$17.0 million projected at buildout in the Fiscal Year 2006-07 CIP. This was achieved by reevaluating the proposed projects to be funded

through the PFF Fund, and finding alternative funding sources for some of these projects. The PFF Fund is not anticipated to be in a deficit position until Fiscal Year 2011-12, and City staff will continue to monitor the projected deficit in this fund, and bring additional solutions forward at the appropriate time. This will allow projects to be constructed from this funding source while the City evaluates future options.

The City's business-type activities reflect the following:

- Water rates will be increasing on average by 9.0% in Fiscal Year 2007-08.
- Sewer rates will be increasing on average by 10.6% in Fiscal Year 2007-08.
- No projected significant changes in other revenue sources.
- The Recycled Water Operations Fund budget reflects a 39% increase, or \$1,039,000, to fund costs associated with the new treatment plant: operations, depreciation expense, and debt service on a loan from the State.
- New state and federal mandated storm and wastewater programs are reflected in the Fiscal Year 2007-08 budgeted expenses for the Solid Waste and Wastewater Funds.
- Other changes in the Enterprise funds are the result of inflation, depreciation increases due to expanding infrastructure, and increased costs for maintenance and repair of the City's infrastructure.
- The opening of the City's new municipal golf course, The Crossings at Carlsbad.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, 1635 Faraday Avenue, Carlsbad, CA 92008, (760) 602-2430, or visit us online at www.carlsbadca.gov.

CITY OF CARLSBAD

Statement of Net Assets
June 30, 2007

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 405,761,515	\$ 145,883,744	\$ 551,645,259
Receivables:			
Taxes	6,766,669	27,576	6,794,245
Accounts, net	287,861	5,753,445	6,041,306
Other	604,145	24,800	628,945
Due from other governments	196,438	3,957,828	4,154,266
Inventories	160,601	574,463	735,064
Prepaid items	344,389	-	344,389
Loan and reimbursement receivables	13,046,133	437,510	13,483,643
Internal balances	47,664,837	(47,664,837)	-
Subtotal	474,832,588	108,994,529	583,827,117
Capital assets:			
Land	128,132,931	8,663,600	136,796,531
Construction in progress	111,317,618	81,368,923	192,686,541
Buildings and other structures	70,232,559	20,213,224	90,445,783
Improvements other than buildings	30,192,088	5,556,571	35,748,659
Machinery and equipment	26,463,958	2,019,241	28,483,199
Infrastructure	446,960,843	216,253,793	663,214,636
Wastewater treatment facility	-	44,929,167	44,929,167
Less accumulated depreciation	(154,883,982)	(73,662,803)	(228,546,785)
Total capital assets	658,416,015	305,341,716	963,757,731
Total assets	\$ 1,133,248,603	\$ 414,336,245	\$ 1,547,584,848

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets (Continued)
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 10,741,586	\$ 15,030,781	\$ 25,772,367
Accrued interest payable	232,215	683,646	915,861
Due to other governments	4,544,203	6,462,505	11,006,708
Estimated claims payable	3,691,335	-	3,691,335
Deposits payable	220,207	556,646	776,853
Deferred revenue	609,308	787,063	1,396,371
Noncurrent liabilities:			
Due within one year	1,140,000	2,170,065	3,310,065
Due in more than one year, net of deferred charges (\$789,409) and unamortized discounts (\$291,635)	11,940,000	51,792,051	63,732,051
Total liabilities	33,118,854	77,482,757	110,601,611
NET ASSETS			
Invested in capital assets, net of related debt	645,995,515	253,644,743	899,640,258
Restricted for:			
Capital assets	178,559,169	47,164,402	225,723,571
Affordable, low and moderate income housing	30,355,963	-	30,355,963
Habitat and agricultural mitigation management	7,669,890	-	7,669,890
Other purposes	4,848,987	-	4,848,987
Unrestricted	232,700,225	36,044,343	268,744,568
Total net assets	\$ 1,100,129,749	\$ 336,853,488	\$ 1,436,983,237

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

**Statement of Activities
For the Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,272,953	\$ 1,193,997	\$ 7,147,802	\$ 92,268
Public safety	38,326,632	4,169,570	521,787	152,502
Community development	13,859,714	4,158,250	6,563,577	478,604
Community services	17,913,230	2,638,930	860,725	594,514
Public works	37,277,807	5,083,289	2,503,475	47,935,718
Interest and fiscal charges on long-term debt	688,352	-	-	-
Total governmental activities	120,338,688	17,244,036	17,597,366	49,253,606
Business-type activities:				
Carlsbad Municipal Water District	40,383,346	22,186,138	2,268,147	17,902,453
Golf course	199,846	-	-	-
Wastewater	9,590,391	7,506,653	-	7,150,697
Solid waste	1,901,244	1,966,477	28,244	-
Total business-type activities	52,074,827	31,659,268	2,296,391	25,053,150
Total primary government	\$ 172,413,515	\$ 48,903,304	\$ 19,893,757	\$ 74,306,756
General revenues:				
Property taxes				
Sales and use taxes				
Transient occupancy taxes				
Franchise taxes				
Business license taxes				
Real property transfer taxes				
Vehicle license taxes (VLF)				
Income from property and investments				
Other general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year (as restated)				
Net assets at end of year				

The notes to the financial statements are an integral part of this statement.

Net Revenue (Expense) and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,838,886)	\$ -	\$ (3,838,886)
(33,482,773)	-	(33,482,773)
(2,659,283)	-	(2,659,283)
(13,819,061)	-	(13,819,061)
18,244,675	-	18,244,675
(688,352)	-	(688,352)
(36,243,680)	-	(36,243,680)
-	1,973,392	1,973,392
-	(199,846)	(199,846)
-	5,066,959	5,066,959
-	93,477	93,477
-	6,933,982	6,933,982
(36,243,680)	6,933,982	(29,309,698)
49,283,589	2,504,080	51,787,669
27,444,779	-	27,444,779
12,929,007	-	12,929,007
5,346,107	-	5,346,107
3,055,710	-	3,055,710
1,261,848	-	1,261,848
608,256	-	608,256
21,455,134	7,620,346	29,075,480
700,271	34,198	734,469
400,000	(400,000)	-
122,484,701	9,758,624	132,243,325
86,241,021	16,692,606	102,933,627
1,013,888,728	320,160,882	1,334,049,610
<u>\$ 1,100,129,749</u>	<u>\$ 336,853,488</u>	<u>\$ 1,436,983,237</u>

CITY OF CARLSBAD

Balance Sheet

Governmental Funds

June 30, 2007

	General Fund	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
ASSETS				
Cash and investments	\$ 71,282,954	\$ 1,906,596	\$ 18,894,822	\$ 53,917,264
Receivables:				
Taxes	6,709,275	44,797	-	1,398
Other	491,147	-	11,816	-
Accounts, net	18,845	753	-	-
Due from other governments	14,907	-	-	-
Inventories	22,306	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	-	-	-	-
Loans receivable	107,377	-	-	-
Advances to other funds	63,331,246	-	-	-
Total assets	\$ 141,978,057	\$ 1,952,146	\$ 18,906,638	\$ 53,918,662
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 4,916,475	\$ -	\$ 861,197	\$ 226,831
Deposits payable	97,664	-	-	-
Due to other governments	1,497	-	-	-
Advances from other funds	-	14,857,658	-	-
Deferred revenue	14,373,590	-	-	-
Total liabilities	19,389,226	14,857,658	861,197	226,831
Fund balances:				
Reserved	56,505,428	-	37,302	3,351,913
Unreserved:				
Designated, reported in:				
General Fund	13,891,802	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Project Funds	-	-	18,008,139	50,339,918
Undesignated, reported in:				
General Fund	52,191,601	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	(12,905,512)	-	-
Capital Project Funds	-	-	-	-
Total fund balances	122,588,831	(12,905,512)	18,045,441	53,691,831
Total liabilities and fund balances	\$ 141,978,057	\$ 1,952,146	\$ 18,906,638	\$ 53,918,662

The notes to the financial statements are an integral part of this statement.

General Capital Construction	Public Facilities Construction	Rancho Santa Fe Road Project	Other Governmental Funds	Total Governmental Funds
\$ 46,017,587	\$ 46,563,603	\$ 17,620,843	\$ 118,807,535	\$ 375,011,204
-	-	-	11,199	6,766,669
-	-	-	101,182	604,145
191,895	-	-	36,853	248,346
-	-	-	181,531	196,438
-	-	-	-	22,306
-	-	-	344,389	344,389
-	-	-	659,500	659,500
-	-	-	12,938,756	13,046,133
8,700,021	4,550,000	-	3,643,344	80,224,611
<u>\$ 54,909,503</u>	<u>\$ 51,113,603</u>	<u>\$ 17,620,843</u>	<u>\$ 136,724,289</u>	<u>\$ 477,123,741</u>
\$ 271,744	\$ 67,181	\$ 76,805	\$ 755,534	\$ 7,175,767
-	57,472	-	65,071	220,207
-	-	4,542,706	-	4,544,203
-	7,100,000	-	10,602,116	32,559,774
136,841	-	-	39,101	14,549,532
408,585	7,224,653	4,619,511	11,461,822	59,049,483
10,215,423	5,195,423	733,173	24,818,864	100,857,526
-	-	-	-	13,891,802
-	-	-	9,166,025	9,166,025
-	-	-	51,412	51,412
23,119,705	38,693,527	12,268,159	41,134,823	183,564,271
-	-	-	-	52,191,601
-	-	-	23,318,869	23,318,869
-	-	-	431,709	(12,473,803)
21,165,790	-	-	26,340,765	47,506,555
54,500,918	43,888,950	13,001,332	125,262,467	418,074,258
<u>\$ 54,909,503</u>	<u>\$ 51,113,603</u>	<u>\$ 17,620,843</u>	<u>\$ 136,724,289</u>	<u>\$ 477,123,741</u>

CITY OF CARLSBAD

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007**

Total fund balances - governmental funds.	\$ 418,074,258
---	----------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds	651,012,047
Internal service funds	<u>7,403,968</u>
Total capital assets	<u>658,416,015</u>

Internal service funds are used by management to charge the costs of fleet management, self insured benefits, information technologies, records management, risk management and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Total internal service fund net assets	30,415,435
Internal service fund net assets included as part of total capital assets	<u>(7,403,968)</u>
Internal service fund net assets less capital assets	<u>23,011,467</u>

Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.

(232,215)

Interest receivable on advances to other funds is not a current financial resource and, therefore, is not recognized as revenue in the funds until received.

13,612,192

A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.

288,932

A portion of accounts receivables are not available to pay for current-period expenditures and, therefore, is deferred in the funds.

39,100

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Governmental funds	<u>(13,080,000)</u>
--------------------	---------------------

Net assets of governmental activities.

<u>\$ 1,100,129,749</u>

The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007**

	General Fund	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
Revenues:				
Taxes	\$ 94,132,566	\$ 2,664,424	\$ -	\$ 1,931,102
Intergovernmental	9,312,901	-	-	-
Licenses and permits	2,093,806	-	-	-
Charges for services	7,593,091	-	-	-
Fines and forfeitures	1,262,006	-	-	-
Income from property and investments	5,884,805	116,949	1,248,281	2,768,208
Contributions from property owners	-	-	64,257	512,235
Donations	-	-	-	-
Miscellaneous	766,964	-	-	-
Total revenues	121,046,139	2,781,373	1,312,538	5,211,545
Expenditures:				
Current:				
General government	17,853,903	-	75,000	31,707
Less: interdepartmental charges	(2,122,938)	-	-	-
Public safety	39,580,593	-	-	-
Community development	6,906,995	24,093	-	-
Community services	16,455,238	-	-	-
Public works	20,274,163	-	-	-
Capital outlay	-	-	9,660,737	1,029,548
Debt service:				
Principal retirement	704	420,000	-	-
Interest and fiscal charges	30	1,249,346	-	-
Total expenditures	98,948,688	1,693,439	9,735,737	1,061,255
Excess (deficiency) of revenues over (under) expenditures	22,097,451	1,087,934	(8,423,199)	4,150,290
Other financing sources (uses):				
Proceeds from the sale of property	1,364,511	-	-	-
Transfers in	13,960	-	-	-
Transfers out	(7,511,821)	(1,420,000)	-	-
Total other financing sources (uses)	(6,133,350)	(1,420,000)	-	-
Net change in fund balances	15,964,101	(332,066)	(8,423,199)	4,150,290
Fund balances (deficits) at beginning of year	106,624,730	(12,573,446)	26,468,640	49,541,541
Fund balances (deficits) at end of year	<u>\$ 122,588,831</u>	<u>\$ (12,905,512)</u>	<u>\$ 18,045,441</u>	<u>\$ 53,691,831</u>

The notes to the financial statements are an integral part of this statement.

General Capital Construction	Public Facilities Construction	Rancho Santa Fe Road Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,467,995	\$ 101,196,087
1,730,707	29,406	2,992,991	11,031,147	25,097,152
-	-	-	-	2,093,806
-	-	-	3,343,481	10,936,572
-	-	-	124,684	1,386,690
2,536,759	2,844,428	900,195	5,970,479	22,270,104
-	4,254,017	1,034,340	4,446,164	10,311,013
-	-	-	172,668	172,668
19	-	-	183,531	950,514
4,267,485	7,127,851	4,927,526	27,740,149	174,414,606
-	-	-	52,321	18,012,931
-	-	-	(28,000)	(2,150,938)
-	-	-	251,281	39,831,874
-	-	-	7,067,196	13,998,284
-	-	-	211,447	16,666,685
-	-	-	2,206,835	22,480,998
2,745,636	1,422,530	2,707,012	13,199,715	30,765,178
-	-	-	670,000	1,090,704
-	-	-	83,994	1,333,370
2,745,636	1,422,530	2,707,012	23,714,789	142,029,086
1,521,849	5,705,321	2,220,514	4,025,360	32,385,520
-	-	-	-	1,364,511
-	-	-	9,709,264	9,723,224
-	-	(28,133)	(800,091)	(9,760,045)
-	-	(28,133)	8,909,173	1,327,690
1,521,849	5,705,321	2,192,381	12,934,533	33,713,210
52,979,069	38,183,629	10,808,951	112,327,934	384,361,048
<u>\$ 54,500,918</u>	<u>\$ 43,888,950</u>	<u>\$ 13,001,332</u>	<u>\$ 125,262,467</u>	<u>\$ 418,074,258</u>

CITY OF CARLSBAD

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds.	\$ 33,713,210
---	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase of capital assets	21,526,957
Depreciation expense	(11,945,841)

Governmental funds do not reflect the donation of capital assets as revenues.	30,430,119
---	------------

Governmental funds report the entire proceeds from the sale of capital assets as revenue. However, in the statement of activities, the net gain or loss from the sale of capital assets is reported.

	(697,181)
--	-----------

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.	1,090,703
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	472,161
--	---------

Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	1,044,624
---	-----------

A portion of sales and use taxes previously recognized in the Statement of Activities, but had been deferred in the funds.	449,924
--	---------

The net revenue of activities of internal service funds is reported with governmental activities.	10,193,959
---	------------

Other	(37,614)
-------	----------

Change in net assets of governmental activities.	<u>\$ 86,241,021</u>
--	----------------------

The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget - Over (Under)
Revenues:				
Taxes	\$ 94,498,000	\$ 95,265,000	\$ 94,132,566	\$ (1,132,434)
Intergovernmental	1,670,500	1,843,000	9,312,901	7,469,901
Licenses and permits	1,736,000	1,930,000	2,093,806	163,806
Charges for services	6,851,621	7,766,000	7,593,091	(172,909)
Fines and forfeitures	978,700	1,050,000	1,262,006	212,006
Income from property and investments	3,291,700	3,710,000	5,272,906	1,562,906
Miscellaneous	968,250	750,000	766,964	16,964
Total revenues	109,994,771	112,314,000	120,434,240	8,120,240
Expenditures:				
Current:				
General government	19,670,229	23,368,835	18,854,043	(4,514,792)
Less: interdepartmental charges	(2,180,000)	(2,180,000)	(2,122,938)	57,062
Public safety	41,791,571	42,358,729	40,056,325	(2,302,404)
Community development	9,832,295	10,257,046	9,363,836	(893,210)
Community services	21,699,019	21,533,221	17,534,596	(3,998,625)
Public works	24,953,435	25,745,273	21,918,782	(3,826,491)
Debt service:				
Principal retirement	704	704	704	-
Interest and fiscal charges	30	30	30	-
Total expenditures	115,767,283	121,083,838	105,605,378	(15,478,460)
Excess of revenues over expenditures	(5,772,512)	(8,769,838)	14,828,862	23,598,700
Other financing sources (uses):				
Proceeds from the sale of property	-	(46,295)	(46,295)	-
Transfers in	-	149,960	149,960	-
Transfers out	(7,727,821)	(7,727,821)	(7,727,821)	-
Total other financing sources (uses)	(7,727,821)	(7,624,156)	(7,624,156)	-
Net change in fund balances	(13,500,333)	(16,393,994)	7,204,706	\$ 23,598,700
Fund balance at beginning of year	106,624,730	106,624,730	106,624,730	
Fund balance at end of year	<u>\$ 93,124,397</u>	<u>\$ 90,230,736</u>	<u>\$ 113,829,436</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2007**

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 120,434,240
The recording of unrealized gains and losses on the City's investments are shown for financial reporting purposes (pursuant to GASB 31), but are not shown for budgetary purposes.	611,899
	<u>\$ 121,046,139</u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 105,605,378
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	(6,656,690)
	<u>\$ 98,948,688</u>
Other financing sources (uses)	
Actual amounts (budgetary basis) "total other financing sources (uses)" from the budgetary comparison schedule (previous page).	\$ (7,624,156)
Differences - budget to GAAP:	
The sale proceeds of a City-owned parcel of land were not estimated in the City's operating budget.	1,410,806
Some advances are budgeted for as transfers in for budgetary purposes, but reflected as advances for financial reporting purposes.	(136,000)
Some advances are budgeted for as transfers out for budgetary purposes, but reflected as advances for financial reporting purposes.	216,000
	<u>\$ (6,133,350)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
ASSETS			
Current assets:			
Cash and investments	\$ 68,360,837	\$ 6,145,923	\$ 60,966,109
Receivables:			
Taxes	27,576	-	-
Accounts, net	4,162,253	1,696	943,206
Due from other governments	1,635,156	-	2,322,672
Inventories	570,560	-	3,903
Total current assets	74,756,382	6,147,619	64,235,890
Noncurrent assets:			
Cash and investments - restricted for debt service	-	2,100,846	953,706
Accrued interest - restricted for debt service	-	3,500	21,300
Loans and reimbursement receivables	-	-	437,510
Subtotal	-	2,104,346	1,412,516
Capital assets:			
Land	1,909,565	5,075,228	1,678,807
Construction in progress	11,800,865	60,523,167	9,044,891
Buildings and other structures	20,213,224	-	-
Improvements other than buildings	2,185,604	-	3,370,967
Machinery and equipment	811,313	721,131	486,797
Infrastructure	147,877,148	-	68,376,645
Wastewater treatment facility	-	-	44,929,167
Less accumulated depreciation	(30,403,476)	-	(43,259,327)
Total capital assets (net of accumulated depreciation)	154,394,243	66,319,526	84,627,947
Total noncurrent assets	154,394,243	68,423,872	86,040,463
Total assets	\$ 229,150,625	\$ 74,571,491	\$ 150,276,353

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ 7,356,323	\$ 142,829,192	\$ 30,090,811
-	27,576	-
646,290	5,753,445	39,515
-	3,957,828	-
-	574,463	138,295
8,002,613	153,142,504	30,268,621
-	3,054,552	-
-	24,800	-
-	437,510	-
-	3,516,862	-
-	8,663,600	-
-	81,368,923	-
-	20,213,224	-
-	5,556,571	-
-	2,019,241	18,131,808
-	216,253,793	-
-	44,929,167	-
-	(73,662,803)	(10,727,840)
-	305,341,716	7,403,968
-	308,858,578	7,403,968
\$ 8,002,613	\$ 462,001,082	\$ 37,672,589

(Continued)

CITY OF CARLSBAD

Statement of Net Assets
Proprietary Funds (Continued)
June 30, 2007

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 12,209,078	\$ 1,226,756	\$ 1,102,695
Accrued interest payable	277,836	275,683	130,127
Due to other governments	3,678,661	-	2,783,844
Estimated claims payable	-	-	-
Current portion of long-term debt	1,399,163	130,902	640,000
Deposits payable	163,972	4,749	387,925
Total current liabilities	17,728,710	1,638,090	5,044,591
Noncurrent liabilities:			
Advance from other funds	-	46,576,618	-
Deferred revenue	-	-	787,063
Capital leases payable	-	568,209	-
Loans payable	27,696,616	-	-
Revenue bonds payable, net of deferred charges of \$412,460 and unamortized discounts of \$291,635	-	18,419,175	-
Installment purchase agreement, net of deferred charges of \$376,949	-	-	5,108,051
Total noncurrent liabilities	27,696,616	65,564,002	5,895,114
Total liabilities	45,425,326	67,202,092	10,939,705
NET ASSETS			
Invested in capital assets, net of related debt	125,298,464	48,889,626	79,456,653
Restricted for:			
Capital assets	18,285,570	-	28,878,832
Unrestricted	40,141,265	(41,520,227)	31,001,163
Total net assets	\$ 183,725,299	\$ 7,369,399	\$ 139,336,648

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities -
Solid Waste	Total Proprietary Funds	Internal Service Funds
\$ 492,252	\$ 15,030,781	\$ 3,565,819
-	683,646	-
-	6,462,505	-
-	-	3,691,335
-	2,170,065	-
-	556,646	-
492,252	24,903,643	7,257,154
1,088,219	47,664,837	-
-	787,063	-
-	568,209	-
-	27,696,616	-
-	-	-
-	18,419,175	-
-	5,108,051	-
1,088,219	100,243,951	-
1,580,471	125,147,594	7,257,154
-	253,644,743	7,403,968
-	47,164,402	-
6,422,142	36,044,343	23,011,467
\$ 6,422,142	\$ 336,853,488	\$ 30,415,435

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 21,534,226	\$ -	\$ -
Sewer service charges	-	-	7,397,978
Other charges for services	651,912	-	108,675
Contributions from other government agencies	968,444	-	397,681
Miscellaneous	1,299,703	-	17,972
Total operating revenues	24,454,285	-	7,922,306
Operating expenses:			
Encina plant operations	145,979	-	2,579,155
Purchased water	13,472,842	-	-
Depreciation	2,422,333	-	2,421,928
Fuel and supplies	-	-	-
Claims expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	24,279,047	9,226	4,337,370
Total operating expenses	40,320,201	9,226	9,338,453
Operating income (loss)	(15,865,916)	(9,226)	(1,416,147)
Nonoperating revenues (expenses):			
Income from property and investments	3,425,320	399,234	3,403,625
Interest expense and fees	(63,145)	(190,620)	(243,907)
Intergovernmental	-	-	-
Gain on sale of property	2,361	-	(8,031)
Property taxes	2,504,080	-	-
Total nonoperating revenues	5,868,616	208,614	3,151,687
Income (loss) before transfers and capital contributions	(9,997,300)	199,388	1,735,540
Transfers in	-	-	-
Transfers out	(400,000)	-	-
Capital contributions:			
Capital restricted fees	2,775,652	-	1,361,147
Developer constructed assets	13,003,903	-	5,391,869
Other	2,122,898	-	-
Change in net assets	7,505,153	199,388	8,488,556
Total net assets at beginning of year (as restated)	176,220,146	7,170,011	130,848,092
Total net assets at end of year	<u>\$ 183,725,299</u>	<u>\$ 7,369,399</u>	<u>\$ 139,336,648</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental
		Activities -
		Internal
Solid Waste	Totals	Service Funds
\$ -	\$ 21,534,226	\$ -
-	7,397,978	-
1,966,477	2,727,064	20,907,968
28,244	1,394,369	-
13,865	1,331,540	331,012
2,008,586	34,385,177	21,238,980
-	2,725,134	-
-	13,472,842	-
-	4,844,261	1,388,520
-	-	1,052,850
-	-	3,254,867
-	-	534,035
1,901,244	30,526,887	6,545,026
1,901,244	51,569,124	12,775,298
107,342	(17,183,947)	8,463,682
392,167	7,620,346	987,139
-	(497,672)	-
-	-	43,552
-	(5,670)	(31,344)
-	2,504,080	-
392,167	9,621,084	999,347
499,509	(7,562,863)	9,463,029
-	-	436,821
-	(400,000)	-
-	4,136,799	-
-	18,395,772	-
-	2,122,898	294,109
499,509	16,692,606	10,193,959
5,922,633	320,160,882	20,221,476
\$ 6,422,142	\$ 336,853,488	\$ 30,415,435

CITY OF CARLSBAD

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 20,498,747	\$ -	\$ 7,475,240
Payments to suppliers	(7,151,583)	(9,226)	(4,735,741)
Payments to employees	(5,897,787)	-	(1,204,869)
Internal activity - payments to other funds	(2,303,693)	-	(1,039,221)
Claims paid	-	-	-
Other receipts (payments)	(9,047,853)	-	(1,201,028)
Increase (decrease) in deposits payable	7,593	-	-
Net cash provided by operating activities	(3,894,576)	(9,226)	(705,619)
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	(400,000)	9,682,317	-
Cash flows from capital and related financing activities:			
Proceeds from capital debt	19,040,965	18,836,839	-
Capital contributions	4,012,777	-	1,347,536
Purchases of capital assets	(8,812,883)	(26,488,196)	(3,737,312)
Principal paid on capital debt	(537,565)	(22,020)	(605,000)
Interest and other fees paid	(268,821)	(2,389,293)	(352,821)
Property taxes received	2,503,990	-	-
Net cash (used in) capital and related financing activities	15,938,463	(10,062,670)	(3,347,597)
Cash flows from investing activities:			
Interest on investments	3,425,320	395,621	3,403,625
Net increase (decrease) in cash and cash equivalents	15,069,207	6,042	(649,591)
Cash and cash equivalents at beginning of year	53,291,630	8,240,727	61,629,825
Cash and cash equivalents at end of year	\$ 68,360,837	\$ 8,246,769	\$ 60,980,234

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities - Internal Service Funds	
Solid Waste	Totals		
\$ 2,014,631	\$ 29,988,618	\$ 20,871,299	
(854,952)	(12,751,502)	(4,850,911)	
(813,749)	(7,916,405)	(2,951,937)	
(292,416)	(3,635,330)	(747,950)	
-	-	(2,935,523)	
42,109	(10,206,772)	331,012	
-	7,593	-	
95,623	(4,513,798)	9,715,990	
-	9,282,317	436,821	
-	37,877,804	-	
-	5,360,313	43,552	
-	(39,038,391)	(2,556,134)	
-	(1,164,585)	-	
-	(3,010,935)	-	
-	2,503,990	-	
-	2,528,196	(2,512,582)	
392,167	7,616,733	987,139	
487,790	14,913,448	8,627,368	
6,868,533	130,030,715	21,463,443	
\$ 7,356,323	\$ 144,944,163	\$ 30,090,811	

(Continued)

CITY OF CARLSBAD

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2007**

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (15,865,916)	\$ (9,226)	\$ (1,416,147)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,422,333	-	2,421,928
Change in assets and liabilities:			
(Increase) decrease in receivables	(1,687,391)	-	(31,413)
(Increase) in inventories	(23,303)	-	930
(Decrease) increase in accrued liabilities	11,012,732	-	(64,235)
(Decrease) increase in accrued interest payable	94,918	-	-
Increase in due to other governments	144,458	-	(1,631,679)
Increase in estimated claims payable	-	-	-
Increase in deposits payable	7,593	-	14,997
Net cash provided by operating activities	<u>\$ (3,894,576)</u>	<u>\$ (9,226)</u>	<u>\$ (705,619)</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 13,003,903</u>	<u>\$ -</u>	<u>\$ 5,391,869</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 68,360,837	\$ 6,145,923	\$ 60,966,109
Restricted assets:			
Cash and investments	-	2,100,846	953,706
Less investments not meeting the definition of cash equivalents:			
Investment contracts	<u>-</u>	<u>-</u>	<u>(939,581)</u>
Cash and cash equivalents at end of year	<u>\$ 68,360,837</u>	<u>\$ 8,246,769</u>	<u>\$ 60,980,234</u>

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		<u>Governmental Activities - Internal Service Funds</u>	
<u>Solid Waste</u>	<u>Totals</u>		
\$ 107,342	\$ (17,183,947)	\$ 8,463,682	
-	4,844,261	1,388,520	
48,154	(1,670,650)	(36,919)	
-	(22,373)	57,579	
(59,873)	10,888,624	279,628	
-	94,918	-	
-	(1,487,221)	-	
-	-	(436,500)	
-	22,590	-	
<u>\$ 95,623</u>	<u>\$ (4,513,798)</u>	<u>\$ 9,715,990</u>	
<u>\$ -</u>	<u>\$ 18,395,772</u>	<u>\$ 294,109</u>	
\$ 7,356,323	\$ 142,829,192	\$ 30,090,811	
-	3,054,552	-	
-	(939,581)	-	
<u>\$ 7,356,323</u>	<u>\$ 144,944,163</u>	<u>\$ 30,090,811</u>	

CITY OF CARLSBAD

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

ASSETS

Current assets:	
Cash and investments	\$ 24,072,496
Receiveables:	
Taxes	45,035
Other	78,031
Prepaid items	544,060
Total current assets	<u>24,739,622</u>
Restricted assets:	
Cash and investments	<u>6,716,274</u>
Total assets	<u><u>\$ 31,455,896</u></u>

LIABILITIES

Accrued liabilities	\$ 629,395
Deposits held for others	<u>30,826,501</u>
Total liabilities	<u><u>\$ 31,455,896</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Carlsbad, California, (City) was incorporated on July 16, 1952. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, community development, community services and public works.

The accounting policies of the City and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Description and scope of the reporting entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position of the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are the Housing Authority of the City of Carlsbad, the City of Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority and the Carlsbad Municipal Water District (District).

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the City's operations, and so data from these units is reported with the interfund data of the primary government. Only the City of Carlsbad Public Improvement Corporation and the Carlsbad Redevelopment Agency issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained from the Finance Department.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, as long as the expenditure reflects a near-term cash outflow. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, vehicle license fees, highway users tax, interest, and some state and federal grants.

Real property taxes are levied on October 15 against property owners of record on January 1 of that year. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Fiduciary fund types are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund assets and liabilities are accounted for on the accrual basis of accounting.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Redevelopment Debt Service Funds** are used to account for the accumulation of resources for, and payment of, principal and interest on the Carlsbad Redevelopment Agency's bonds and other debt, used to finance improvements for the redevelopment areas of the City.

The **Assessment and Other Districts** capital project funds are used to account for capital projects financed by the issuance of assessment and community facility district bonds.

The **Community Facilities District No. 1** capital project fund is used to account for civic facilities, parks, and road segments financed by Community Facilities District No. 1 "special tax revenues" (Mello Roos).

The **General Capital Construction** capital project fund is used to account for transfers from the General Fund and expenditures for various capital projects not financed through another capital project fund.

The **Public Facilities Construction** capital project fund is used to account for the receipt of fees charged to developers, and expenditures for specific public facilities such as parks and fire stations necessitated by growth.

The **Rancho Santa Fe Road Project** capital project fund is used to account for the amounts paid by developers and costs for the construction and improvements related to Rancho Santa Fe Road.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major enterprise funds:

The **Carlsbad Municipal Water District** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's water system.

The **Golf Course** enterprise fund is used to account for revenues and expenses for the construction activities of the City's new municipal golf course.

The **Wastewater** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's wastewater system.

The **Solid Waste** enterprise funds are used to account for the revenues and expenses of the City's solid waste source-reduction, recycling and storm water programs.

Additionally, the City reports the following fund types:

Internal Service funds account for fleet management, self insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the City.

The **Agency funds** account for assets held by the City for other funds, governments or individuals. These funds include contractors' deposits for future development, miscellaneous deposits, as well as debt service transactions on assessment district bonds for which the City is not obligated.

Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide Financial Statements. An exception to this general rule are the charges between the Carlsbad Municipal Water District and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity, or sale of investments; property rentals and the sale of City owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's average cash and investments balance.

Restricted cash and investments represent amounts that are restricted under the terms of debt agreements.

Inventories

Inventories consist of materials and supplies that are valued at cost and are recorded as expenses or expenditures on a first-in, first-out basis when consumed.

Compensated absences

Compensated absences are comprised of vacation payable for all City employees and vested sick benefits for certain former District employees. Vacation pay is payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation expected to be paid in the next 12 months is recorded as a liability in the Self Insured Benefits internal service fund. Since the City caps the amount of vacation employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2007, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation is recorded as a liability when earned.

Risk management

The City accounts for its general liability, self insured dental program, and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other City funds and departments and paying claims, settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end, if material.

Unbilled services

Unbilled water, wastewater and solid waste revenues of the enterprise funds are recognized as earned when the services are used.

Capital assets

Capital assets, which include land (including right-of-way), buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, water and wastewater systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective capital asset category upon completion.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and other structures	10 – 50
Improvements other than buildings	20 – 50
Machinery and equipment	3 – 20
Infrastructure	10 – 100
Wastewater treatment facility (including equipment)	5 – 75

The City has capitalized all general infrastructure assets acquired or constructed in compliance with GASB 34. In addition the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized.

Deferred revenue

The deferred revenue reported in the City's financial statements represents money received during the current or previous fiscal years that has not been earned by, or is not available to, the City as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned or becomes available.

Interfund transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances".

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables and payables

All trade, service and tax receivables are shown net of an allowance for uncollectibles. The utility billing receivable allowance is equal to 1% of outstanding billings at June 30, 2007, the ambulance billing receivable allowance is equal to 40% of outstanding billings at June 30, 2007, and the trade and false alarm receivable allowance is equal to the total of all outstanding receivables that are over 90 days past due plus 30% of all remaining balances. The only exception to these rules are receivables that were subsequently paid or were known to be collectible at year-end, were not reserved for at June 30, 2007.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year. Encumbrances at year end are a portion of the reserved fund balance and are reappropriated the following year.

Net assets

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

Long-term obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Long-term bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

Pronouncements issued, not yet effective

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement No. 50, *Pension Disclosures*.

Note 2. Budgetary Data

The City follows these procedures in establishing its budgetary data:

- During May or June, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- Public hearings are conducted at City Council meetings to obtain citizens' comments during June.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 2. Budgetary Data (Continued)

The City Manager is authorized to make transfers of appropriated amounts from one department to another within a fund. The legal level of budgetary control is at the fund level. Revisions that alter the total appropriations of any fund must be approved by the City Council with the exception of budget adjustments that involve offsetting revenues and expenditures. The City Manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Monthly reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed.

Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31, and transfers in have been adjusted to reflect any transfer that was approved through the budget process as a revenue, but recorded as an advance in the financial statements. Actual expenditures have been adjusted to include encumbrances outstanding, and transfers out have been adjusted to reflect any transfer that was approved through the budget process as an expenditure but recorded as an advance in the financial statements. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and debt service funds except for the Hosp Grove COPs. Accordingly, the revenues and expenditures for these two funds have been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds; therefore, budget basis financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

Note 3. Deposit and Investment Risk

Cash resources of the individual funds are combined to form a pool of cash and investments. The City maintains a formal investment policy, which is reviewed by the Investment Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The risk disclosures below apply to the City's internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits); concentration; default; event; and market or interest rate risk.

The City of Carlsbad and its agencies invest a portion of its funds in an external investment pool known as the Local Area Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2007, the LAIF performance report shows a fair value factor of .999545022. The City of Carlsbad's position in the LAIF pool is calculated as a percentage of the fair value of the City's shares to the fair value of the pooled shares.

Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 3. Deposit and Investment Risk (Continued)

As of June 30, 2007 the City had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
Federal Home Loan Mortgage Corporation	\$ 158,434,962	28.4%	1.938
Federal Home Loan Bank	180,720,102	32.5%	1.568
Federal National Mortgage Association	108,768,856	19.5%	1.641
Federal Farm Credit Bank	10,922,175	2.0%	2.497
Federal Farm Credit Bank	1,004,088	0.2%	1.926
Subtotal U.S. agencies	459,850,183	82.6%	1.736
Corporate notes:			
Medium-term corporate notes	55,361,801	9.9%	2.663
Subtotal corporate notes	55,361,801	9.9%	2.663
LAIF	36,458,932	6.6%	-
Cash accounts	4,783,845	0.9%	-
Total Treasurer's Pool	556,454,761	100.0%	1.686
Investments held outside the Treasurer's Pool			
Debt Service funds/bond proceeds	24,942,987		
Other deposits	1,029,966		
Petty cash funds	6,315		
Total cash and investments	\$ 582,434,029		
Statement of Net Assets, Primary Government			
Cash and investments	\$ 551,645,259		
Statement of Fiduciary Assets and Liabilities, Agency Funds			
Cash and investments	24,072,496		
Restricted cash and investments	6,716,274		
Total cash and investments	\$ 582,434,029		

Custodial credit risk (investments)

The City uses Union Bank of California (UBC) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a UBC failure. All City investments held in custody and safekeeping by UBC are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure. Investments are settled on a Delivery vs. Payment (DVP) in accordance with the third party custodial agreement.

Custodial credit risk (deposits)

The City maintains cash accounts at Wells Fargo Bank (WFB) and UBC. At the conclusion of each business day, balances in these accounts are "swept" into overnight pooled investments, which are pooled into funds collateralized with U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). The California Code authorizes both of these types of investments. A small amount of cash is not swept from the WFB checking accounts to cover checks that may be presented for payment. Amounts up to \$100,000 are Federal Deposit Insurance Corporation (FDIC) insured.

Note 3. Deposit and Investment Risk (Continued)

Concentration credit risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California state code requires that total investments in medium-term corporate notes of all issuers not exceed 30% of the portfolio. As of June 30, 2007, approximately 9.8% of the City's total portfolio investments, based on cost, were in medium-term corporate notes.

For concentration of investments in any one issuer, the City's Investment Policy requires that no more than 5% of investments in corporate notes be in any one issuer. There is no similar requirement in either the state code or the City's Investment Policy for U.S. agencies. As of June 30, 2007, the portfolio was in compliance with this requirement.

Default credit risk

Default credit risk is the risk that the issuer of the security does not pay either the interest or principal when due. Debts of most U.S. agencies are not backed by the full faith and credit of the federal government; however, because the agencies are U.S. Government-sponsored, they carry AAA credit ratings. The default credit risk of these investments is minimal.

California state code limits investments in medium-term corporate notes to the top three credit ratings (AAA, AA, and A). However, it is the City's policy to limit investments to the top two credit ratings (AAA and AA). As of June 30, 2007, approximately 5.5% of the investments in medium-term corporate notes did not have one of these two credit ratings. This investment had a credit rating of A+. This investment was made when the credit rating was AA. California state code and the City's Investment Policy allow the City Treasurer to determine the course of action to correct exceptions to the Policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is greater than U.S. federal agencies, but is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within State code requirements.

The Local Agency Investment Fund (LAIF) is an external investment pool managed by the California State Treasurer. Its investments are short-term and follow the investment requirements of the State. As of June 30, 2007, the average maturity of the LAIF investments was 176 days. LAIF is not rated; however, the City Treasurer considers the default credit risk of LAIF to be minimal.

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2007, the portfolio had a 0.6% loss in market value.

The City's investment policy has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2, and (2) requiring maturing investments within one year are equal to an amount that is not less than two-thirds of the current fiscal year's operating budget. The City met those requirements as follows:

1. As of June 30, 2007, the modified duration of the portfolio was 1.686. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the security's value will result. Investments with modified durations of one to three are considered to be relatively conservative.
2. As of June 30, 2007, maturities within one year exceeded the required minimum of \$115,000,000 (two-thirds of current year operating budget for the City per the 2006-07 Operating Budget adopted by the City Council).

CITY OF CARLSBAD**Notes to the Financial Statements**

Note 4. Due To and From Other Funds

There were no amounts due from funds within the City to other funds within the City at June 30, 2007.

Note 5. Advances To and From Other Funds

The following table shows amounts advanced from governmental funds within the City to other funds within the City at June 30, 2007:

Advances From		Advances To	Amount
General Fund	Redevelopment Debt Service Funds		\$ 14,857,658
General Fund	Financing Districts Special Revenue Funds		808,751
General Fund	Enterprise Funds:		
	Golf Course		46,576,618 (1)
	Solid Waste		1,088,219
Special Revenue Funds:	Capital Project Funds:		
Gas Tax	Bridge and Thoroughfare Districts		3,643,344
Capital Projects Funds:	Capital Project Funds:		
General Capital Construction	Park Development		1,180,000
	Planned Local Drainage Facilities		420,021
	Public Facilities Construction		7,100,000
Public Facilities Construction	Park Development		4,550,000
			<u>\$ 80,224,611</u>

Advances to and from other funds are primarily long term advances used to fund capital projects in advance of related revenues.

- (1) The advance between the General Fund and the Golf Course Fund is estimated to be repaid over a 35-40 year period through possible disposition of golf course assets and residual operating income from golf course operations.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2007:

	Balance at July 1, 2006	Increases	Decreases	Balance at June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 128,582,931	\$ -	\$ (450,000)	\$ 128,132,931
Construction in progress	101,370,353	20,696,700	(10,749,435)	111,317,618
Total capital assets, not being depreciated	<u>229,953,284</u>	<u>20,696,700</u>	<u>(11,199,435)</u>	<u>239,450,549</u>
Capital assets, being depreciated:				
Buildings	69,476,635	941,924	(186,000)	70,232,559
Improvements, other than buildings	28,273,684	2,000,487	(82,083)	30,192,088
Machinery and equipment	23,073,418	4,965,861	(1,575,321)	26,463,958
Infrastructure	<u>409,728,105</u>	<u>37,232,738</u>	<u>-</u>	<u>446,960,843</u>
Total capital assets, being depreciated	530,551,842	45,141,010	(1,843,404)	573,849,448
Less accumulated depreciation for:				
Buildings	(15,742,296)	(1,433,374)	28,080	(17,147,590)
Improvements, other than buildings	(3,928,141)	(1,163,713)	70,956	(5,020,898)
Machinery and equipment	(14,537,906)	(2,025,427)	1,228,558	(15,334,775)
Infrastructure	<u>(108,668,872)</u>	<u>(8,711,847)</u>	<u>-</u>	<u>(117,380,719)</u>
Total accumulated depreciation	<u>(142,877,215)</u>	<u>(13,334,361)</u>	<u>1,327,594</u>	<u>(154,883,982)</u>
Total capital assets being depreciated, net	<u>387,674,627</u>	<u>31,806,649</u>	<u>(515,810)</u>	<u>418,965,466</u>
Governmental activities capital assets, net	<u>\$ 617,627,911</u>	<u>\$ 52,503,349</u>	<u>\$ (11,715,245)</u>	<u>\$ 658,416,015</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (Continued)

	Balance at July 1, 2006	Increases	Decreases	Balance at June 30, 2007
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 8,663,600	\$ -	\$ -	\$ 8,663,600
Construction in progress	77,740,020	35,129,093	(31,500,190)	81,368,923
Total capital assets, not being depreciated	86,403,620	35,129,093	(31,500,190)	90,032,523
Capital assets, being depreciated:				
Buildings	16,941,971	3,280,016	(8,763)	20,213,224
Improvements, other than buildings	5,556,571	-	-	5,556,571
Machinery and equipment	1,475,229	777,437	(233,425)	2,019,241
Infrastructure	169,637,849	46,615,944	-	216,253,793
Wastewater treatment facility	39,510,985	5,418,182	-	44,929,167
Total capital assets, being depreciated	233,122,605	56,091,579	(242,188)	288,971,996
Less accumulated depreciation for:				
Buildings	(1,226,904)	(354,658)	8,763	(1,572,799)
Improvements, other than buildings	(2,285,743)	(148,693)	-	(2,434,436)
Machinery and equipment	(1,265,265)	(63,145)	207,791	(1,120,619)
Infrastructure	(39,664,940)	(3,427,646)	-	(43,092,586)
Wastewater treatment facility	(24,592,244)	(850,119)	-	(25,442,363)
Total accumulated depreciation	(69,035,096)	(4,844,261)	216,554	(73,662,803)
Total capital assets being depreciated, net	164,087,509	51,247,318	(25,634)	215,309,193
Business-type activities capital assets, net	\$ 250,491,129	\$ 86,376,411	\$ (31,525,824)	\$ 305,341,716

CITY OF CARLSBAD**Notes to the Financial Statements**

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 540,691
Community development	202,011
Public safety	451,982
Community services	1,891,422
Public works	8,859,735
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,388,520</u>

Total depreciation expense - governmental activities	<u><u>\$ 13,334,361</u></u>
--	-----------------------------

Business-type activities:

Wastewater	\$ 2,421,928
Water	<u>2,422,333</u>

Total depreciation expense - business-type activities	<u><u>\$ 4,844,261</u></u>
---	----------------------------

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2007:

	Vendors and Miscellaneous	Salaries and Benefits	Marbella Settlement/ Legal Exp.	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 2,045,630	\$ 2,870,845	\$ -	\$ -	\$ 4,916,475
Assessment and Other Districts	861,197	-	-	-	861,197
Community Facilities District No. 1	226,831	-	-	-	226,831
General Capital Construction	271,744	-	-	-	271,744
Public Facilities Construction	67,181	-	-	-	67,181
Rancho Santa Fe Road Project	76,805	-	-	-	76,805
Other Governmental Funds	665,115	90,419	-	-	755,534
Subtotals	4,214,503	2,961,264	-	-	7,175,767
* Internal Service Funds	374,280	3,191,539	-	-	3,565,819
Total governmental activities	<u>\$ 4,588,783</u>	<u>\$ 6,152,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,741,586</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water District	\$ 590,836	\$ 302,142	\$11,316,100	\$ -	\$ 12,209,078
Golf Course	1,226,756	-	-	-	1,226,756
Wastewater	1,037,080	65,615	-	-	1,102,695
Solid Waste	157,050	63,673	-	271,529	492,252
Total business-type activities	<u>\$ 3,011,722</u>	<u>\$ 431,430</u>	<u>\$11,316,100</u>	<u>\$ 271,529</u>	<u>\$ 15,030,781</u>

* Internal service funds have been included with governmental activities on the Government-wide Statement of Net Assets.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2007:

	Principal Balance at June 30, 2006	Additions	Reductions	Principal Balance at June 30, 2007	Due Within One Year
Governmental activities:					
Bonds	\$ 12,065,000	\$ -	\$ 420,000	\$ 11,645,000	\$ 440,000
Certificates of participation	2,105,000	-	670,000	1,435,000	700,000
Obligations under capital leases	703	-	703	-	-
Total governmental activities	<u>\$ 14,170,703</u>	<u>\$ -</u>	<u>\$ 1,090,703</u>	<u>\$ 13,080,000</u>	<u>\$ 1,140,000</u>
Business-type activities:					
Bonds	\$ -	\$ 18,540,000	\$ -	\$ 18,540,000	\$ -
Installment purchase agreement	6,730,000	-	605,000	6,125,000	640,000
Loans payable	10,592,380	19,040,964	537,565	29,095,779	1,399,163
Obligations under capital leases	-	721,131	22,020	699,111	130,902
	17,322,380	38,302,095	1,164,585	54,459,890	2,170,065
Less deferred charges	(437,443)	(419,821)	(67,855)	(789,409)	-
Plus issuance discount	-	296,839	5,204	291,635	-
Total business type activities	<u>\$ 16,884,937</u>	<u>\$ 38,179,113</u>	<u>\$ 1,101,934</u>	<u>\$ 53,962,116</u>	<u>\$ 2,170,065</u>

Long-term debt at June 30, 2007 is comprised of the following issues:

	Balance at June 30, 2007
Governmental long-term debt	
1993 Carlsbad Housing and Redevelopment Commission Tax Allocation	
Bonds, principal due in amounts ranging from \$440,000 to \$1,000,000 on September 1 of each year through 2023. Interest payable on March 1 and September 1 at rates varying from 5.25% to 5.30% per annum. The City posted a surety bond in lieu of cash reserve in the amount of \$1,055,953. Payable from redevelopment property tax increment revenues.	\$ 11,645,000
1997 Hosp Grove Refunding Certificates of Participation, principal due in amounts ranging from \$700,000 to \$735,000 on August 1 of each year through 2008, interest payable on August 1 and February 1 at rates varying from 4.60% to 4.70% per annum. Payable from the General Fund, with a required reserve amount of \$659,500.	1,435,000
Sub-total governmental long-term debt	13,080,000
Less current portion	1,140,000
Total long-term portion of governmental debt	<u>\$ 11,940,000</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (Continued)

	Balance at June 30, 2007
Business-type long-term debt	
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds, principal due in varying amounts ranging from \$275,000 to \$1,185,000 on September 1 of each year beginning in 2008 through 2036, interest payable on March 1 and September 1 of each year through 2036, at rates varying from 4.00% to 5.00% per annum. The required reserve amount is \$1,238,325. Payable from golf course operating revenues and lease payments by the City.	\$ 18,540,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement, principal due in varying amounts ranging from \$640,000 to \$905,000 on August 1 of each year through 2015, interest payable on February 1 and August 1 each year at rates varying from 4.90% to 5.25% per annum. The required reserve amount is \$937,169. Payable from sewer user fees.	6,125,000
1993 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$123,222 to \$151,558 on November 30 of each year through 2013, interest payable on November 30 of each year at 2.90% per annum. Payable from recycled water user fees.	970,858
2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$409,896 to \$631,082 on June 1 of each year through 2025, interest payable on June 1 of each year at 2.50% per annum. Payable from recycled water user fees.	9,284,608
2006 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$765,539 to \$1,152,734 on April 1 of each year through 2027, interest payable on April 1 of each year at 2.30% per annum. Payable from recycled water user fees.	18,840,313
The Carlsbad Public Financing Authority has entered into several golf course maintenance equipment lease purchase agreements. As of June 30, 2007, the City has purchased maintenance equipment totaling \$721,131. The lease term for each lease is 60 months, with an interest rate of 4.90%. The leases expire in April 2012. Payable from golf course operating revenues and lease payments by the City.	699,111
Subtotal business-type long-term debt	54,459,890
Less unamortized discounts, issuance costs and deferred charges	(497,774)
Less current portion	(2,170,065)
Total long-term portion of business-type debt	<u>\$ 51,792,051</u>

CITY OF CARLSBAD**Notes to the Financial Statements****Note 8. Long-term Debt (Continued)**

The aggregate maturities of long-term debt are as follows:

Year ended June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 1,140,000	\$ 652,310	\$ 2,170,066	\$ 1,740,368
2009	1,200,000	595,182	2,413,296	1,768,300
2010	490,000	552,840	2,497,342	1,683,794
2011	515,000	526,459	2,587,515	1,595,131
2012	540,000	498,765	2,664,481	1,499,575
2013–2017	3,165,000	2,024,606	11,630,794	6,178,732
2018–2022	4,080,000	1,077,296	10,253,688	4,594,517
2023–2027	1,950,000	104,675	10,637,708	3,023,053
2028–2032	-	-	4,215,000	1,706,062
2033–2037	-	-	5,390,000	630,000
	<u>\$ 13,080,000</u>	<u>\$ 6,032,133</u>	<u>\$ 54,459,890</u>	<u>\$ 24,419,532</u>

Note 9. Rate Covenants

The 1997 Encina Financing Joint Powers Authority Installment Purchase Agreement requires that the District set its charges for services each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.25 times debt service for that year.

The 2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board requires that the District set its charges for services and rates for fees each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.0 times debt service for that year.

The 2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds is required to set rates, fees and charges which, when added to other revenues received from the Authority, are at least sufficient to yield gross revenues which are sufficient to pay all operating and maintenance expenses estimated by the Authority, and the principal and interest on the bonds as they become due and payable, reserve requirements, and all other payments required to meet any other obligations of the Authority.

All rate covenants requirements were met for the year ended June 30, 2007.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 10. Debt without Government Commitment

In the opinion of City officials, the bonds listed below are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing power of the City of Carlsbad, the State of California, nor any political subdivision thereof, is obligated to the payment of the principal or interest on the bond. Accordingly, no liability has been recorded in the accompanying financial statements.

Special assessment bonds

As of June 30, 2007, the City has six series of Assessment District Bonds outstanding in the amount of \$71,473,433. These bonds were issued under the provisions of the Improvement Bond Acts of 1911 and 1915 and were used to finance public infrastructure improvement projects. The City collects assessments to pay the bond debt. These monies are accounted for in the Assessment Districts Agency funds.

Community Facilities District No. 3

As of June 30, 2007, the City has Community Facilities District No. 3 (CFD #3) Bonds outstanding in the amount of \$11,490,000. These bonds were issued under the provisions of the Mello-Roos Community Facilities Act of 1982 and were used to finance public infrastructure improvement projects. The City collects assessments to pay the bond debt. These monies are accounted for in the CFD #3 Agency fund.

Mortgage revenue bonds

Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City which will be partially occupied by persons of low or moderate income. The total amount of mortgage revenue bonds outstanding as of June 30, 2007 is \$24,590,000. The bonds, together with interest thereon, are limited obligations of the City payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds.

Industrial development bonds

The Industrial Development Authority of the City has issued a \$2,070,000 Industrial Development Revenue Bond. The total principal amount outstanding as of June 30, 2007 is \$1,568,000. Any costs relating to the issuance of the Bond, as well as the principal and interest payments, are to be paid by the private party benefiting from the bond issue.



CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances

The following is a summary of reserved and unreserved fund balances as of June 30, 2007:

Fund Balances	Governmental Funds			
	General	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
Reserved for:				
Loans receivable	\$ 107,377	\$ -	\$ -	\$ -
Inventory	22,306	-	-	-
Prepaid items	-	-	-	-
Debt service	-	-	-	-
Advances to other other funds*	49,719,055	-	-	-
Flower fields preservation	-	-	-	-
Library endowment	-	-	-	-
Low and moderate income housing	-	-	-	-
Encumbrances	6,656,690	-	37,302	3,351,913
Totals	56,505,428	-	37,302	3,351,913
Unreserved:				
Designated for approved capital projects	-	-	2,118,942	48,508,891
Designated for continuing appropriations	13,891,802	-	15,889,197	1,831,027
Totals	13,891,802	-	18,008,139	50,339,918
Undesignated	52,191,601	(12,905,512)	-	-
Total fund balances	\$ 122,588,831	\$ (12,905,512)	\$ 18,045,441	\$ 53,691,831

* Only reflects that portion of fund balance invested in interfund advances (the General Fund amount is net of \$13,612,191 in deferred revenue for measurable but unavailable interest earned on such advances).

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Governmental Funds				
General Capital Construction	Public Facilities Construction	Rancho Santa Fe Road Project	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 12,938,756	\$ 13,046,133
-	-	-	-	22,306
-	-	-	344,389	344,389
-	-	-	659,500	659,500
8,700,021	4,550,000	-	3,643,344	66,612,420
-	-	-	935,000	935,000
-	-	-	250,000	250,000
-	-	-	3,564,862	3,564,862
1,515,402	645,423	733,173	2,483,013	15,422,916
10,215,423	5,195,423	733,173	24,818,864	100,857,526
-	10,269,687	5,944,198	29,856,084	96,697,802
23,119,705	28,423,840	6,323,961	20,496,176	109,975,708
23,119,705	38,693,527	12,268,159	50,352,260	206,673,510
21,165,790	-	-	50,091,343	110,543,222
<u>\$ 54,500,918</u>	<u>\$ 43,888,950</u>	<u>\$ 13,001,332</u>	<u>\$ 125,262,467</u>	<u>\$ 418,074,258</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Reserves for loan receivables, inventory, prepaid items and advances to other funds, net of accrued interest recorded as deferred revenue, are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for debt service represent resources legally restricted to the payment of long-term debt principal and interest maturing in future years.

Reserves for flower-fields preservation represent resources set aside to support floriculture research for the preservation of the "Flower Fields" located in Carlsbad.

Reserves for library endowment represent resources set aside to support programs in the Dove Library auditorium.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Unreserved-undesignated and unrestricted represents the fund balance or net assets remaining after reduction for reserved and designated fund balances or net assets.

Note 12. Accumulated Fund Deficits/Negative Net Assets

The following funds reported deficits in fund balances or net assets as of June 30, 2007:

	Deficit Balance
Debt Service Funds:	
Redevelopment Areas	\$ (12,905,512)
Internal Service Funds:	
Risk Management	(232,391)

CITY OF CARLSBAD

Notes to the Financial Statements

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Fund	Transfers In From Other Funds	Transfers Out To Other Funds
Major Funds:		
General	\$ 13,960	\$ 7,511,821
Redevelopment Debt Service Funds	-	1,420,000
Rancho Santa Fe Road Project Capital Project Fund	-	28,133
Nonmajor Governmental Funds	9,709,264	800,091
Enterprise Funds, Carlsbad Municipal Water District	-	400,000
Internal Service Funds	436,821	-
Totals	<u>\$ 10,160,045</u>	<u>\$ 10,160,045</u>

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (2) move the remaining fund balances of closed funds to the General Fund, (3) move revenues and expenditures to the appropriate funds, and (4) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note. 14 Risk Management

The City is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The City uses a Risk Management Self-Insurance Fund, a Self Insured Benefits Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All funds of the City make payments based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Since July 1, 1999, the City has been a member of the California Municipal Excess Liability Program, a group purchase program for general liability coverage. Under this program, the pool provides coverage up to a maximum of \$10,000,000 per occurrence with a self-insured retention provided by the City in the amount of \$500,000. At June 30, 2007, the unencumbered fund equity for the Risk Management Self-Insurance fund was approximately (\$232,000) due to the large increase in legal fees and expenses associated with a substantial property damage claim. Although there is currently insufficient cash in the fund to pay all existing and anticipated expenditures at June 30, 2007, additional cash will be available in the fund to cover these claims through the rates being charged during the 2007-08 Fiscal Year.

Dental insurance coverage for City employees is administered by MetLife. Under the City's agreement with MetLife, MetLife will pay dental claims for each covered member, up to a maximum of \$1,500 per calendar year.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 14. Risk Management (Continued)

The City is insured for workers' compensation claims by Continental Casualty. Continental Casualty provides coverage up to a maximum of \$2,500,000 per occurrence for losses which exceed the City's self-insured retention of \$1,000,000 per claim for police and fire employees, and \$750,000 for all other employees. At June 30, 2007, the unrestricted fund equity for the Workers' Compensation Self-Insurance fund was approximately \$2,592,000.

The estimated claims payable reported at June 30, 2007 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled claims did not exceed insurance coverage during the past two fiscal years. However, in Fiscal Year 2006-07, the City settled a large property damage claim related to the Marbella condominiums that exceeded the City's insurance coverage. The City has received some reimbursements from their insurance carrier for this excess amount, and continues to pursue additional recoveries.

Changes in the estimated claims payable amounts in Fiscal Years 2006 and 2007 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-Insured Benefits fund:				
2005 - 06	\$ 78,486	\$ 396,579	\$ (397,199)	\$ 77,866
2006 - 07	77,866	457,325	(459,983)	75,208
Risk Management fund:				
2005 - 06	1,927,843	(551,681)	(624,142)	752,020
2006 - 07	752,020	307,805	(517,304)	542,521
Workers' Compensation fund:				
2005 - 06	3,613,777	934,484	(1,250,313)	3,297,948
2006 - 07	3,297,948	887,759	(1,112,101)	3,073,606

Note 15. Joint Ventures

Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the Facilities) are wastewater facilities owned jointly by the Cities of Carlsbad, Vista and Encinitas and the Leucadia County Water District, the Buena Vista Sanitation District and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the Facilities. It is responsible for the management, maintenance and operations of the joint system. Ownership interests in the Facilities are determined by joint agreement at the time the assets are acquired. As of June 30, 2007, the Cities and Districts have the following approximate ownership interest:

City of Carlsbad	25%
City of Vista	22%
Leucadia Wastewater District	20%
Vallecitos Water District	20%
Buena Sanitation District	8%
City of Encinitas	5%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 15. Joint Ventures (Continued)

EWA's financial statements for the fiscal year ended June 30, 2006 (the latest available) reflect the following:

Total assets	\$ 75,229,524
Total liabilities	2,945,630
Net assets	<u>\$ 72,283,894</u>

The EWA does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on EWA's books and charged to users' accounts in the following year. Conversely, users' assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating income (before member billings) for the EWA totaled \$63,539 in Fiscal Year 2006. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at www.encinajpa.com.

Encina Financing Joint Powers Authority

The Encina Financing Joint Powers Authority (the Authority) was created on February 1, 1989 between the City of Carlsbad (Carlsbad), the City of Vista (Vista), the Buena Vista Sanitation District (Buena) and the Leucadia County Water District (Leucadia). The primary purpose of the Authority is to issue revenue bonds in order to finance the expansion of the Facility.

The Authority is governed by a Board of Directors, which consists of one director appointed by each member. The financial statements of the Authority can be obtained at the City of Carlsbad's Finance Department.

In August 1989, the Authority issued \$33,500,000 of revenue bonds and executed installment purchase agreements for approximately the same amount. In February 1997, bonds were issued by the Authority to refinance and defease the outstanding bonds. Two of the members (Buena and Vista) defeased their 1989 obligations through available funds; while Carlsbad and Leucadia refinanced their obligations. Repayment of the bonds will be accomplished through payments made by Carlsbad and Leucadia pursuant to the new installment purchase agreements. The individual agreements set forth the purchase price and specify the debt service requirements for each member.

The following is a table of the outstanding balance owed as of June 30, 2007:

Member	Agreement Balance
City of Carlsbad	\$ 6,125,000
Leucadia Wastewater District	4,175,000
	<u>\$ 10,300,000</u>

The installment balances are secured by a pledge of the revenues from each member's wastewater system, net of a deduction for maintenance and operating costs. Significant covenants within the agreements require the members to maintain insurance on the facility, and establish wastewater rates which are sufficient to pay the operating costs and debt service on the bonds and which will result in net revenues equal to at least 1.25 times the annual installment payments due.

The City's share in the accounts of the Authority is recorded in the Wastewater Enterprise Fund. The expansion of the Facility is shown as a capital asset of the Wastewater Enterprise Fund.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Retirement Plan

Plan description

The City of Carlsbad contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions, and all other requirements, are established by state statutes and city ordinances. Copies of PERS' annual financial report may be obtained from their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes 7% of the required 8% contributions for non-safety employees, and 8% of the required 9% contributions for the City's safety employees. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2007, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 27.572% for safety employees and 19.810% for miscellaneous employees. The contribution requirements of plan members and the City are established by PERS.

In October 2006, the City was notified by PERS that the employer contribution rate for the City of Carlsbad (as a percentage of payroll) will be 28.462% for safety employees and 20.478% for miscellaneous employees for the fiscal year ended June 30, 2008.

Annual pension cost

For Fiscal Year 2006-07, the City's annual pension cost (employer contribution) of \$4,453,495 for safety and \$5,746,407 for miscellaneous to PERS was equal to the City's required and actual contributions. For Fiscal Year 2006-07, the member contributions paid by the City and its employees were \$1,475,551 for safety and \$2,343,208 for miscellaneous. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% depending on age, service and type of employment, (c) 3.0% inflation factor, (d) payroll growth of 3.25%, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year trend information for PERS (safety)

Fiscal Year Ending	Annual Pension		Percentage of APC Contributed	Net Pension Obligation
	Cost (Employer Contribution)			
6/30/05	\$ 3,917,550		100%	\$ -
6/30/06	4,152,149		100%	-
6/30/07	4,453,495		100%	-

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Retirement Plan (continued)

Three-year trend information for PERS (miscellaneous)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 3,112,596	100%	\$ -
6/30/06	5,667,848	100%	-
6/30/07	5,746,407	100%	-

Required supplementary information

Funded status of plan (safety)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/04	\$ 110,306,847	\$ 92,529,369	\$ 17,777,478	83.9%	\$ 13,382,181	132.8%
6/30/05	123,237,518	102,021,173	21,216,345	82.8%	14,305,227	148.3%
6/30/06	136,506,300	111,646,998	24,859,302	81.8%	15,030,260	165.4%

Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/04	\$ 132,074,893	\$ 105,423,856	\$ 26,651,037	79.8%	\$ 26,476,671	100.7%
6/30/05	149,626,877	117,576,007	32,050,870	78.6%	26,688,294	120.1%
6/30/06	164,803,264	131,137,658	33,665,606	79.6%	28,237,819	119.2%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare

The majority of City of Carlsbad employees are under the City of Carlsbad defined contribution plan. The Carlsbad Municipal Water District has a defined benefit plan.

Carlsbad Municipal Water District

The first plan is for active and retired employees that were employed with the Carlsbad Municipal Water District (CMWD) at the time the District was acquired by the City. Per Resolution 614, all former employees of CMWD (including dependents) are eligible for postretirement health care benefits if they voluntarily retire after the age of 50, with no less than five years of service and whose age, combined with years of service, equals 70 or more. There are approximately eleven active and thirteen retired plan members as of June 30, 2006.

The City pays for 100% of the premiums for health insurance which is coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums. This plan is administered by the Association of California Water Agencies (ACWA). Expenditures were approximately \$128,000 for post-retirement health care costs during Fiscal Year 2006-07. Based on an actuarial valuation performed as of June 30, 2006, the District's liability for the current and past service costs of these benefits is approximately \$2,549,000.

City of Carlsbad

City of Carlsbad retirees are eligible for a postretirement healthcare subsidy. This plan is administered by the California Public Employees Retirement System (PERS). There are approximately 630 active and 93 retired plan members as of June 30, 2006. Surviving spouses of eligible retirees are eligible for the City subsidy. Surviving spouses/domestic partners of deceased active members are eligible for the City subsidy only if the employee had attained age 50 with five years of service.

The City pays a monthly subsidy per eligible employee/retiree regardless of coverage elected:

Calendar year 2006	\$64.60
Calendar year 2007	80.80
Calendar year 2008	97.90

Thereafter, the subsidy is adjusted annually to reflect changes in the medical component of the Consumer Price Index. Expenditures for postretirement health care benefits are funded on a pay-as-you-go basis. Expenditures were approximately \$86,000 for City subsidy payments during Fiscal Year 2006-07. Based on an actuarial valuation performed as of June 30, 2006, the City's liability for the current and past service costs of these benefits is approximately \$5,404,000.

The GASB recently issued Statement No. 45 to address the accounting and disclosure treatment for this type of plan. Effective with the fiscal year ending June 30, 2008, the City will be required to recognize postretirement health care costs on an accrual basis over a period approximating the employees' years of service, and to provide information about actuarial liabilities associated with these benefits, and whether and to what extent progress is being made in funding the plan. In anticipation of implementing GASB 45, the City transferred over the actuarial calculated liabilities (\$2,549,000 for CMWD employees and \$5,404,000 for City employees) to the Self Insured Benefits special revenue fund at June 30, 2007. These amounts were shown as expenditures/expenses in the respective funds. The City is currently evaluating irrevocable trust options to invest these funds in, and is anticipating transferring these funds into this trust by the end of Fiscal Year 2008, in accordance with GASB 45.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 18. Commitments and Contingencies

Operating lease

In June 1988, the Carlsbad Redevelopment Agency entered into an agreement to lease a parking lot on State Street from a private party. The lease requires monthly rental payments, adjusted annually based upon an increase in the consumer price index, not to exceed 6% of the previous year's rents, and re-adjusted in years 10 and 15 based upon market rental values, through August 2007. Current fiscal year lease payments totaled \$94,044.

Minimum future rental payments under the operating lease as of June 30, 2007 are:

2008	\$ 16,614
Total minimum future rental payments	<u>\$ 16,614</u>

Water purchase agreements

On March 25, 1991, CMWD entered into a twenty year agreement with the Leucadia County Water District, to purchase recycled water to be used primarily for irrigation at the La Costa Resort & Spa golf course, and for other appropriate uses within the CMWD's boundaries. CMWD agreed to purchase of minimum of 394 acre feet of recycled water per fiscal year, at a basic price of retail potable water charged to residential users within the CMWD boundary. The current cost is \$724.49 per acre foot or a minimum of \$285,449 per fiscal year, regardless of the actual amount used.

On August 5, 2003, CMWD entered into a twenty-two year agreement with the Vallecitos Water District, to purchase three million gallons per day (3,360 acre feet) of recycled water for uses throughout CMWD's boundaries. The agreement stipulates that CMWD pay for the actual operating costs of the Mahr Reservoir, which produces the water, since CMWD is the only customer of the water produced. The estimated operating costs for the period ended June 30, 2007 is \$638,000.

Note 19. Prior Period Adjustments

The City adjusted the net book value of Carlsbad's interest in the Encina wastewater treatment facility to more accurately reflect the value disclosed in the Encina Wastewater Authority Annual Report as of June 30, 2006 (the latest available). In addition, the City adjusted the previously capitalized interest on the golf course project. The cumulative effect of these changes on the beginning net assets balance of business-type activities is as follows:

	Business-type Activities
Net assets at July 1, 2006	\$ 335,063,262
Reduction in wastewater treatment facility capital asset acquired value	(3,298,307)
Increase in wastewater treatment facility capital asset accumulated depreciation	(12,431,540)
Adjust the capitalization of interest expense on the golf course project	827,467
Net assets at July 1, 2006, as restated	<u>\$ 320,160,882</u>



SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
ASSETS					
Cash and investments	\$ 12,443,742	\$ 11,492	\$ 1,729,934	\$ 3,016,176	\$ 5,734,261
Receivables:					
Taxes	-	-	-	-	-
Other	36,616	-	-	9,489	-
Accounts, net	-	-	3,000	7,342	-
Due from other governments	-	7,834	-	-	-
Prepaid items	-	-	-	-	-
Restricted assets, cash and investments	-	-	-	-	-
Loan receivables	9,949,406	224,404	-	-	-
Advances to other funds	-	-	-	-	3,643,344
Total assets	\$ 22,429,764	\$ 243,730	\$ 1,732,934	\$ 3,033,007	\$ 9,377,605
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 12,858	\$ 39,481	\$ 30,551	\$ 151,418	\$ 58,898
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	808,751	-
Deferred revenue	-	-	-	-	-
Total liabilities	12,858	39,481	30,551	960,169	58,898
Fund balances:					
Reserved for:					
Loans receivable	9,949,406	224,404	-	-	-
Prepaid items	-	-	-	-	-
Debt service	-	-	-	-	-
Advances to other funds	-	-	-	-	3,643,344
Flower fields preservation	-	-	935,000	-	-
Library endowment	-	-	250,000	-	-
Low and moderate income housing	2,550,862	-	-	-	-
Encumbrances	9,584	106,626	20,339	175,795	2,912
Unreserved:					
Designated for approved capital projects	-	-	-	-	2,946,264
Designated for continuing appropriations	-	-	133,474	-	2,726,187
Undesignated	9,907,054	(126,781)	363,570	1,897,043	-
Total fund balances	22,416,906	204,249	1,702,383	2,072,838	9,318,707
Total liabilities and fund balances	\$ 22,429,764	\$ 243,730	\$ 1,732,934	\$ 3,033,007	\$ 9,377,605

Special Revenue Funds						
Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 7,669,890	\$ 3,948,583	\$ 1,221,255	\$ 725,422	\$ 907,892	\$ 1,253,889	\$ 38,662,536
-	11,199	-	-	-	-	11,199
-	188	-	-	-	-	46,293
-	-	-	-	19,729	-	30,071
-	-	-	6,695	-	-	14,529
-	-	-	-	344,389	-	344,389
-	-	-	-	-	-	-
-	2,764,946	-	-	-	-	12,938,756
-	-	-	-	-	-	3,643,344
<u>\$ 7,669,890</u>	<u>\$ 6,724,916</u>	<u>\$ 1,221,255</u>	<u>\$ 732,117</u>	<u>\$ 1,272,010</u>	<u>\$ 1,253,889</u>	<u>\$ 55,691,117</u>
\$ -	\$ 3,931	\$ -	\$ 4,717	\$ 21,468	\$ -	\$ 323,322
-	-	-	-	32,470	21,900	54,370
-	-	-	-	-	-	808,751
-	-	-	-	-	-	-
-	3,931	-	4,717	53,938	21,900	1,186,443
-	2,764,946	-	-	-	-	12,938,756
-	-	-	-	344,389	-	344,389
-	-	-	-	-	-	-
-	-	-	-	-	-	3,643,344
-	-	-	-	-	-	935,000
-	-	-	-	-	-	250,000
-	1,014,000	-	-	-	-	3,564,862
-	15,583	-	192	12,398	-	343,429
-	-	-	-	-	-	2,946,264
3,309,968	-	-	50,132	-	-	6,219,761
4,359,922	2,926,456	1,221,255	677,076	861,285	1,231,989	23,318,869
<u>7,669,890</u>	<u>6,720,985</u>	<u>1,221,255</u>	<u>727,400</u>	<u>1,218,072</u>	<u>1,231,989</u>	<u>54,504,674</u>
<u>\$ 7,669,890</u>	<u>\$ 6,724,916</u>	<u>\$ 1,221,255</u>	<u>\$ 732,117</u>	<u>\$ 1,272,010</u>	<u>\$ 1,253,889</u>	<u>\$ 55,691,117</u>

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2007

	Debt Service Fund	Capital Project Funds			
	Hosp Grove COPs	Bridge and Thoroughfare Districts	Grants and Other Funds	Infrastructure Replacement	Park Development
ASSETS					
Cash and investments	\$ 469,333	\$ 10,691,189	\$ 795,092	\$ 28,598,181	\$ 9,045,807
Receivables:					
Taxes	-	-	-	-	-
Other	15,788	-	-	-	-
Accounts, net	-	-	-	-	-
Due from other governments	-	-	14,270	-	-
Prepaid items	-	-	-	-	-
Restricted assets, cash and investments	659,500	-	-	-	-
Loan receivables	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 1,144,621	\$ 10,691,189	\$ 809,362	\$ 28,598,181	\$ 9,045,807
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ -	\$ -	\$ 13,142	\$ 21,939	\$ 8,550
Deposits payable	-	-	-	-	-
Advances from other funds	-	3,643,344	-	-	5,730,000
Deferred revenue	-	-	-	-	-
Total liabilities	-	3,643,344	13,142	21,939	5,738,550
Fund balances:					
Reserved for:					
Loans receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Debt service	659,500	-	-	-	-
Advances to other funds	-	-	-	-	-
Flower fields preservation	-	-	-	-	-
Library endowment	-	-	-	-	-
Low and moderate income housing	-	-	-	-	-
Encumbrances	2,000	-	321,495	206,679	178,506
Unreserved:					
Designated for approved capital projects	-	6,660,735	474,725	-	2,909,651
Designated for continuing appropriations	51,412	387,110	-	2,028,798	219,100
Undesignated	431,709	-	-	26,340,765	-
Total fund balances	1,144,621	7,047,845	796,220	28,576,242	3,307,257
Total liabilities and fund balances	\$ 1,144,621	\$ 10,691,189	\$ 809,362	\$ 28,598,181	\$ 9,045,807

Capital Project Funds

Planned Local Drainage Facilities	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 10,312,096	\$ 1,507,556	\$ 7,821,023	\$ 10,904,722	\$ 79,675,666	\$ 118,807,535
-	-	-	-	-	11,199
39,101	-	-	-	39,101	101,182
-	6,782	-	-	6,782	36,853
-	-	152,732	-	167,002	181,531
-	-	-	-	-	344,389
-	-	-	-	-	659,500
-	-	-	-	-	12,938,756
-	-	-	-	-	3,643,344
<u>\$ 10,351,197</u>	<u>\$ 1,514,338</u>	<u>\$ 7,973,755</u>	<u>\$ 10,904,722</u>	<u>\$ 79,888,551</u>	<u>\$ 136,724,289</u>
<u>\$ 19,030</u>	<u>\$ 199,424</u>	<u>\$ 42,365</u>	<u>\$ 127,762</u>	<u>\$ 432,212</u>	<u>\$ 755,534</u>
-	10,701	-	-	10,701	65,071
420,021	-	-	-	9,793,365	10,602,116
39,101	-	-	-	39,101	39,101
<u>478,152</u>	<u>210,125</u>	<u>42,365</u>	<u>127,762</u>	<u>10,275,379</u>	<u>11,461,822</u>
-	-	-	-	-	12,938,756
-	-	-	-	-	344,389
-	-	-	-	-	659,500
-	-	-	-	-	3,643,344
-	-	-	-	-	935,000
-	-	-	-	-	250,000
-	-	-	-	-	3,564,862
168,421	435,230	228,881	598,372	2,137,584	2,483,013
6,488,951	-	3,085,369	7,290,389	26,909,820	29,856,084
3,215,673	868,983	4,617,140	2,888,199	14,225,003	20,496,176
-	-	-	-	26,340,765	50,091,343
<u>9,873,045</u>	<u>1,304,213</u>	<u>7,931,390</u>	<u>10,776,960</u>	<u>69,613,172</u>	<u>125,262,467</u>
<u>\$ 10,351,197</u>	<u>\$ 1,514,338</u>	<u>\$ 7,973,755</u>	<u>\$ 10,904,722</u>	<u>\$ 79,888,551</u>	<u>\$ 136,724,289</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,801,889
Intergovernmental	6,663	257,599	-	-	-
Charges for services	85,832	-	-	2,111,582	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	641,978	92,382	95,254	141,761	279,172
Contributions from property owners	530,551	-	-	3,000	-
Donations	-	-	172,668	-	-
Miscellaneous	-	-	2,495	-	-
Total revenues	1,265,024	349,981	270,417	2,256,343	2,081,061
Expenditures:					
Current:					
General government	-	-	-	-	-
Interdepartmental charges	-	-	-	(28,000)	-
Public safety	-	-	-	-	-
Community development	341,795	360,657	82,675	-	-
Community services	-	-	199,860	-	-
Public works	-	-	-	2,206,835	-
Capital outlay	-	9,479	8,233	-	3,102,511
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	341,795	370,136	290,768	2,178,835	3,102,511
Excess (deficiency) of revenues over (under) expenditures	923,229	(20,155)	(20,351)	77,508	(1,021,450)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(7,500)
Total other financing sources (uses)	-	-	-	-	(7,500)
Net change in fund balances	923,229	(20,155)	(20,351)	77,508	(1,028,950)
Fund balances (deficits) at beginning of year	21,493,677	224,404	1,722,734	1,995,330	10,347,657
Fund balances at end of year	<u>\$ 22,416,906</u>	<u>\$ 204,249</u>	<u>\$ 1,702,383</u>	<u>\$ 2,072,838</u>	<u>\$ 9,318,707</u>

Special Revenue Funds						
Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ 666,106	\$ -	\$ -	\$ -	\$ -	\$ 2,467,995
-	-	-	198,621	6,030,279	-	6,493,162
-	-	-	-	-	433,086	2,630,500
-	-	-	124,684	-	-	124,684
390,963	187,252	65,846	38,178	12,462	53,815	1,999,063
240,627	-	-	-	-	-	774,178
-	-	-	-	-	-	172,668
-	-	-	-	14,354	-	16,849
631,590	853,358	65,846	361,483	6,057,095	486,901	14,679,099
-	-	30,000	-	-	-	30,000
-	-	-	-	-	-	(28,000)
-	-	-	251,281	-	-	251,281
3,215	92,131	-	-	5,208,220	249,254	6,337,947
-	-	11,587	-	-	-	211,447
-	-	-	-	-	-	2,206,835
-	-	-	70,671	-	-	3,190,894
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,215	92,131	41,587	321,952	5,208,220	249,254	12,200,404
628,375	761,227	24,259	39,531	848,875	237,647	2,478,695
-	-	-	1,651	-	-	1,651
-	-	(6,330)	(1,781)	-	-	(15,611)
-	-	(6,330)	(130)	-	-	(13,960)
628,375	761,227	17,929	39,401	848,875	237,647	2,464,735
7,041,515	5,959,758	1,203,326	687,999	369,197	994,342	52,039,939
\$ 7,669,890	\$ 6,720,985	\$ 1,221,255	\$ 727,400	\$ 1,218,072	\$ 1,231,989	\$ 54,504,674

(Continued)

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2007

	Debt Service Fund	Capital Project Funds			
	Hosp Grove COPs	Bridge and Thoroughfare Districts	Grants and Other Funds	Infrastructure Replacement	Park Development
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	961,518	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	71,653	528,841	64,234	1,438,352	291,417
Contributions from property owners	-	1,230,503	243,001	-	594,514
Donations	-	-	-	-	-
Miscellaneous	-	-	166,682	-	-
Total revenues	71,653	1,759,344	1,435,435	1,438,352	885,931
Expenditures:					
Current:					
General government	-	7,359	14,962	-	-
Interdepartmental charges	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	433,845	28,504	1,788,278	1,152,472
Debt service:					
Principal retirement	670,000	-	-	-	-
Interest and fiscal charges	83,994	-	-	-	-
Total expenditures	753,994	441,204	43,466	1,788,278	1,152,472
Excess (deficiency) of revenues over (under) expenditures	(682,341)	1,318,140	1,391,969	(349,926)	(266,541)
Other financing sources (Uses):					
Transfers in	275,000	-	99,852	7,200,000	-
Transfers out	-	-	(712,761)	-	-
Total other financing sources (uses)	275,000	-	(612,909)	7,200,000	-
Net change in fund balances	(407,341)	1,318,140	779,060	6,850,074	(266,541)
Fund balances at beginning of year	1,551,962	5,729,705	17,160	21,726,168	3,573,798
Fund balances at end of year	<u>\$ 1,144,621</u>	<u>\$ 7,047,845</u>	<u>\$ 796,220</u>	<u>\$ 28,576,242</u>	<u>\$ 3,307,257</u>

Capital Project Funds

<u>Planned Local Drainage Facilities</u>	<u>Redevelopment Agency</u>	<u>Sales Tax/ TransNet</u>	<u>Traffic Impact Projects</u>	<u>Totals</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,467,995
21,793	-	3,554,674	-	4,537,985	11,031,147
-	11,055	701,926	-	712,981	3,343,481
-	-	-	-	-	124,684
543,464	63,858	378,714	590,883	3,899,763	5,970,479
626,564	10,000	-	967,404	3,671,986	4,446,164
-	-	-	-	-	172,668
-	-	-	-	166,682	183,531
<u>1,191,821</u>	<u>84,913</u>	<u>4,635,314</u>	<u>1,558,287</u>	<u>12,989,397</u>	<u>27,740,149</u>
-	-	-	-	22,321	52,321
-	-	-	-	-	(28,000)
-	-	-	-	-	251,281
-	729,249	-	-	729,249	7,067,196
-	-	-	-	-	211,447
-	-	-	-	-	2,206,835
467,752	299,819	4,374,268	1,463,883	10,008,821	13,199,715
-	-	-	-	-	-
-	-	-	-	-	670,000
-	-	-	-	-	83,994
<u>467,752</u>	<u>1,029,068</u>	<u>4,374,268</u>	<u>1,463,883</u>	<u>10,760,391</u>	<u>23,714,789</u>
<u>724,069</u>	<u>(944,155)</u>	<u>261,046</u>	<u>94,404</u>	<u>2,229,006</u>	<u>4,025,360</u>
-	1,420,000	712,761	-	9,432,613	9,709,264
-	(71,719)	-	-	(784,480)	(800,091)
-	1,348,281	712,761	-	8,648,133	8,909,173
724,069	404,126	973,807	94,404	10,877,139	12,934,533
9,148,976	900,087	6,957,583	10,682,556	58,736,033	112,327,934
<u>\$ 9,873,045</u>	<u>\$ 1,304,213</u>	<u>\$ 7,931,390</u>	<u>\$ 10,776,960</u>	<u>\$ 69,613,172</u>	<u>\$ 125,262,467</u>

CITY OF CARLSBAD

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Year Ended June 30, 2007**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 977,000	\$ 1,154,897	\$ 177,897
Total expenditures	486,444	351,379	(135,065)
Net change in fund balance	490,556	803,518	312,962
Community Development Block Grant			
Total revenues	682,000	349,981	(332,019)
Total expenditures	687,512	476,762	(210,750)
Net change in fund balance	(5,512)	(126,781)	(121,269)
Donations and Endowments			
Total revenues	194,000	252,120	58,120
Total expenditures	462,904	311,107	(151,797)
Net change in fund balance	(268,904)	(58,987)	209,917
Financing Districts			
Total revenues	2,301,862	2,260,573	(41,289)
Total expenditures	2,624,263	2,382,630	(241,633)
Net change in fund balance	(322,401)	(122,057)	200,344
Gas Tax			
Total revenues	2,074,752	2,021,017	(53,735)
Total expenditures	5,791,540	3,105,423	(2,686,117)
Net change in fund balance	(3,716,788)	(1,084,406)	2,632,382
Habitat and Agricultural Management			
Total revenues	-	561,484	561,484
Total expenditures	3,317,853	3,215	(3,314,638)
Net change in fund balance	(3,317,853)	558,269	3,876,122
Low and Moderate Income Housing			
Total revenues	806,000	824,970	18,970
Total expenditures	142,049	107,714	(34,335)
Net change in fund balance	663,951	717,256	53,305

(Continued)

CITY OF CARLSBAD

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds (Continued)
Year Ended June 30, 2007**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Other Special Revenue Funds			
Total revenues	\$ 73,000	\$ 53,124	\$ (19,876)
Total expenditures	52,971	41,587	(11,384)
Net change in fund balance	<u>20,029</u>	<u>11,537</u>	<u>(8,492)</u>
Police Grants and Asset Forfeiture			
Total revenues	311,500	354,134	42,634
Total expenditures	372,274	322,144	(50,130)
Net change in fund balance	<u>(60,774)</u>	<u>31,990</u>	<u>92,764</u>
Section 8 Rental Assistance			
Total revenues	6,136,000	6,057,962	(78,038)
Total expenditures	6,146,867	5,220,618	(926,249)
Net change in fund balance	<u>(10,867)</u>	<u>837,344</u>	<u>848,211</u>
Totals			
Total revenues	13,556,114	13,890,262	334,148
Total expenditures	20,084,677	12,322,579	(7,762,098)
Net change in fund balance	<u>\$ (6,528,563)</u>	<u>\$ 1,567,683</u>	<u>\$ 8,096,246</u>

CITY OF CARLSBAD

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Debt Service Funds
Year Ended June 30, 2007**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	\$ 2,708,000	\$ 2,750,983	\$ 42,983
Total expenditures	1,696,846	1,693,439	(3,407)
Net change in fund balance	<u>\$ 1,011,154</u>	<u>\$ 1,057,544</u>	<u>\$ 46,390</u>

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2007**

	Budget	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
Redevelopment Areas:			
Total revenues	\$ 65,300	\$ 96,088	\$ 30,788
Total expenditures	2,482,471	1,446,704	1,035,767
Net change in fund balance	<u>\$ (2,417,171)</u>	<u>\$ (1,350,616)</u>	<u>\$ 1,066,555</u>



CITY OF CARLSBAD

Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Fleet Management	Self Insured Benefits	Information Technology
ASSETS			
Current assets:			
Cash and investments	\$ 8,205,128	\$ 11,655,155	\$ 4,174,164
Receivables:			
Accounts, net	1,698	-	-
Inventory	138,295	-	-
Total current assets	8,345,121	11,655,155	4,174,164
Noncurrent assets:			
Capital assets:			
Machinery and equipment	14,965,378	-	3,166,430
Less accumulated depreciation	(8,153,179)	-	(2,574,661)
Total capital assets (net of accumulated depreciation)	6,812,199	-	591,769
Total noncurrent assets	6,812,199	-	591,769
Total assets	\$ 15,157,320	\$ 11,655,155	\$ 4,765,933
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 225,760	\$ 2,894,242	\$ 327,409
Estimated claims payable	-	75,208	-
Total current liabilities	225,760	2,969,450	327,409
Total liabilities	225,760	2,969,450	327,409
NET ASSETS			
Invested in capital assets, net of related debt	6,812,199	-	591,769
Unrestricted	8,119,361	8,685,705	3,846,755
Total net assets	\$ 14,931,560	\$ 8,685,705	\$ 4,438,524

Risk Management	Workers' Compensation	Total
\$ 419,477	\$ 5,636,887	\$ 30,090,811
-	37,817	39,515
-	-	138,295
419,477	5,674,704	30,268,621

-	-	18,131,808
-	-	(10,727,840)
-	-	7,403,968
-	-	7,403,968
\$ 419,477	\$ 5,674,704	\$ 37,672,589

\$ 109,347	\$ 9,061	\$ 3,565,819
542,521	3,073,606	3,691,335
651,868	3,082,667	7,257,154
651,868	3,082,667	7,257,154
-	-	7,403,968
(232,391)	2,592,037	23,011,467
\$ (232,391)	\$ 2,592,037	\$ 30,415,435

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the Year Ended June 30, 2007

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 3,798,945	\$ 8,841,627	\$ 4,542,885
Miscellaneous	19,558	-	66
Total operating revenues	3,818,503	8,841,627	4,542,951
Operating expenses:			
Depreciation	1,216,054	-	172,466
Fuel and supplies	1,052,850	-	-
Claims expense	-	793,414	-
Small equipment purchases	-	-	534,035
General and administrative	1,454,017	-	4,029,328
Total operating expenses	3,722,921	793,414	4,735,829
Operating income (loss)	95,582	8,048,213	(192,878)
Nonoperating revenues (expenses):			
Income from property and investments	478,775	-	221,465
Intergovernmental	-	-	43,552
Gain (loss) on sale of property	(31,344)	-	-
Total nonoperating revenues (expenses)	447,431	-	265,017
Income (loss) before transfers and capital contributions	543,013	8,048,213	72,139
Transfers in	36,821	-	-
Capital contributions	294,109	-	-
Change in net assets	873,943	8,048,213	72,139
Total net assets at beginning of year	14,057,617	637,492	4,366,385
Total net assets at end of year	<u>\$ 14,931,560</u>	<u>\$ 8,685,705</u>	<u>\$ 4,438,524</u>

Risk Management	Workers' Compensation	Totals
\$ 1,374,019	\$ 2,350,492	\$ 20,907,968
256,030	55,358	331,012
1,630,049	2,405,850	21,238,980
-	-	1,388,520
-	-	1,052,850
1,288,137	1,173,316	3,254,867
-	-	534,035
950,798	110,883	6,545,026
2,238,935	1,284,199	12,775,298
(608,886)	1,121,651	8,463,682
28,889	258,010	987,139
-	-	43,552
-	-	(31,344)
28,889	258,010	999,347
(579,997)	1,379,661	9,463,029
400,000	-	436,821
-	-	294,109
(179,997)	1,379,661	10,193,959
(52,394)	1,212,376	20,221,476
\$ (232,391)	\$ 2,592,037	\$ 30,415,435

CITY OF CARLSBAD

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007**

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 3,798,945	\$ 8,842,773	\$ 4,542,885
Payments to suppliers	(1,399,685)	-	(2,063,662)
Payments to employees	(723,129)	136,947	(2,049,778)
Internal activity - payments to other funds	(306,500)	-	(368,830)
Claims paid	-	(793,414)	-
Other receipts	19,559	-	66
Net cash provided by (used in) operating activities	1,389,190	8,186,306	60,681
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	36,821	-	-
Cash flows from capital and related financing activities:			
Capital contributions	-	-	43,552
Purchases of capital assets	(2,187,047)	-	(369,087)
Net cash provided by (used in) capital and related financing activities	(2,187,047)	-	(325,535)
Cash flows from investing activities:			
Interest on investments	478,775	-	221,465
Net increase (decrease) in cash and cash equivalents	(282,261)	8,186,306	(43,389)
Cash and cash equivalents at beginning of year	8,487,389	3,468,849	4,217,553
Cash and cash equivalents at end of year	\$ 8,205,128	\$ 11,655,155	\$ 4,174,164

Risk Management	Workers' Compensation	Total
\$ 1,374,020	\$ 2,312,676	\$ 20,871,299
(1,288,013)	(99,551)	(4,850,911)
(220,076)	(95,901)	(2,951,937)
(58,155)	(14,465)	(747,950)
(845,915)	(1,296,194)	(2,935,523)
256,029	55,358	331,012
(782,110)	861,923	9,715,990
400,000	-	436,821
-	-	43,552
-	-	(2,556,134)
-	-	(2,512,582)
28,889	258,010	987,139
(353,221)	1,119,933	8,627,368
772,698	4,516,954	21,463,443
\$ 419,477	\$ 5,636,887	\$ 30,090,811

(Continued)

CITY OF CARLSBAD

**Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2007**

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 95,582	\$ 8,048,213	\$ (192,878)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,216,054	-	172,466
Change in assets and liabilities:			
(Increase) decrease in receivables	(250)	1,147	-
(Increase) in inventory	57,579	-	-
Increase (decrease) in accrued liabilities	20,225	139,604	81,093
Increase (decrease) in estimated claims payable	-	(2,658)	-
Net cash provided by (used in) operating activities	<u>\$ 1,389,190</u>	<u>\$ 8,186,306</u>	<u>\$ 60,681</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 294,109</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ (608,886)	\$ 1,121,651	\$ 8,463,682
-	-	1,388,520
-	(37,816)	(36,919)
-	-	57,579
36,275	2,431	279,628
<u>(209,499)</u>	<u>(224,343)</u>	<u>(436,500)</u>
<u>\$ (782,110)</u>	<u>\$ 861,923</u>	<u>\$ 9,715,990</u>
 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 294,109</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2007

Contractors' and Miscellaneous Deposits

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Current assets:				
Cash and investments	\$ 18,656,071	\$ 38,227,342	\$ 39,549,583	\$ 17,333,830
Receivables:				
Other	10,242	144,631	154,873	-
Prepaid items	-	544,060	-	544,060
Total current assets	<u>\$ 18,666,313</u>	<u>\$ 38,916,033</u>	<u>\$ 39,704,456</u>	<u>\$ 17,877,890</u>
LIABILITIES				
Accrued liabilities	\$ 84,179	\$ 45,367,856	\$ 44,964,193	\$ 487,842
Deposits held for others	18,582,134	5,206,803	6,398,889	17,390,048
Total liabilities	<u>\$ 18,666,313</u>	<u>\$ 50,574,659</u>	<u>\$ 51,363,082</u>	<u>\$ 17,877,890</u>

Assessment Districts

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Current assets:				
Cash and investments	\$ 5,703,585	\$ 7,874,768	\$ 6,839,687	\$ 6,738,666
Receivables:				
Taxes	168,283	45,035	168,283	45,035
Other	79,298	82,197	83,464	78,031
Total current assets	<u>5,951,166</u>	<u>8,002,000</u>	<u>7,091,434</u>	<u>6,861,732</u>
Restricted assets:				
Cash and investments	6,891,655	6,395	181,776	6,716,274
Total restricted assets	<u>6,891,655</u>	<u>6,395</u>	<u>181,776</u>	<u>6,716,274</u>
Total assets	<u>\$ 12,842,821</u>	<u>\$ 8,008,395</u>	<u>\$ 7,273,210</u>	<u>\$ 13,578,006</u>
LIABILITIES				
Accrued liabilities	\$ 113,408	\$ 369,430	\$ 341,285	\$ 141,553
Deposits held for others	12,729,413	8,015,227	7,308,187	13,436,453
Total liabilities	<u>\$ 12,842,821</u>	<u>\$ 8,384,657</u>	<u>\$ 7,649,472</u>	<u>\$ 13,578,006</u>

(Continued)

CITY OF CARLSBAD

**Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2007**

Total Agency Funds

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Current assets:				
Cash and investments	\$ 24,359,656	\$ 46,102,110	\$ 46,389,270	\$ 24,072,496
Receivables:				
Taxes	168,283	45,035	168,283	45,035
Other	89,540	226,828	238,337	78,031
Accrued interest	-	544,060	-	544,060
Total current assets	<u>24,617,479</u>	<u>46,918,033</u>	<u>46,795,890</u>	<u>24,739,622</u>
Restricted assets:				
Cash and investments	6,891,655	6,395	181,776	6,716,274
Total current assets	<u>6,891,655</u>	<u>6,395</u>	<u>181,776</u>	<u>6,716,274</u>
Total assets	<u>\$ 31,509,134</u>	<u>\$ 46,924,428</u>	<u>\$ 46,977,666</u>	<u>\$ 31,455,896</u>
LIABILITIES				
Accrued liabilities	\$ 197,587	\$ 45,737,286	\$ 45,305,478	\$ 629,395
Deposits held for others	31,311,547	13,222,030	13,707,076	30,826,501
Total liabilities	<u>\$ 31,509,134</u>	<u>\$ 58,959,316</u>	<u>\$ 59,012,554</u>	<u>\$ 31,455,896</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements

**\$15,495,000 - 1993 Carlsbad Housing and
Redevelopment Commission Tax Allocation Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2007-08	\$ 306,607	\$ 295,058	\$ 601,665	\$ 440,000	\$ 1,041,665
2008-09	295,058	282,851	577,909	465,000	1,042,909
2009-10	282,851	269,989	552,840	490,000	1,042,840
2010-11	269,989	256,470	526,459	515,000	1,041,459
2011-12	256,470	242,295	498,765	540,000	1,038,765
2012-13	242,295	227,332	469,627	570,000	1,039,627
2013-14	227,332	211,583	438,915	600,000	1,038,915
2014-15	211,583	195,045	406,628	630,000	1,036,628
2015-16	195,045	177,589	372,634	665,000	1,037,634
2016-17	177,589	159,213	336,802	700,000	1,036,802
2017-18	159,214	139,920	299,134	735,000	1,034,134
2018-19	139,920	119,576	259,496	775,000	1,034,496
2019-20	119,576	98,183	217,759	815,000	1,032,759
2020-21	98,182	75,525	173,707	855,000	1,028,707
2021-22	75,525	51,675	127,200	900,000	1,027,200
2022-23	51,675	26,500	78,175	950,000	1,028,175
2023-24	26,500	-	26,500	1,000,000	1,026,500
Totals	<u>\$ 3,135,411</u>	<u>\$ 2,828,804</u>	<u>\$ 5,964,215</u>	<u>\$ 11,645,000</u>	<u>\$ 17,609,215</u>

**\$6,595,000 - 1997 Hosp Grove Certificates of Participation
(1988 Refunding)**

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2007-08	\$ 33,373	\$ 17,272	\$ 50,645	\$ 700,000	\$ 750,645
2008-09	17,273	-	17,273	735,000	752,273
Totals	<u>\$ 50,646</u>	<u>\$ 17,272</u>	<u>\$ 67,918</u>	<u>\$ 1,435,000</u>	<u>\$ 1,502,918</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$11,080,000 - Encina Financing Joint Powers Authority
Installment Purchase Agreement**

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2007-08	\$ 156,153	\$ 139,353	\$ 295,506	\$ 640,000	\$ 935,506
2008-09	139,353	122,816	262,169	675,000	937,169
2009-10	122,816	105,191	228,007	705,000	933,007
2010-11	105,191	86,228	191,419	740,000	931,419
2011-12	86,228	66,241	152,469	780,000	932,469
2012-13	66,241	45,228	111,469	820,000	931,469
2013-14	45,228	23,191	68,419	860,000	928,419
2014-15	23,190	-	23,190	905,000	928,190
Totals	<u>\$ 744,400</u>	<u>\$ 588,248</u>	<u>\$ 1,332,648</u>	<u>\$ 6,125,000</u>	<u>\$ 7,457,648</u>

**\$2,331,489 - Carlsbad Municipal Water District
State Loan for Reclaimed Water Projects**

Fiscal Year	Interest Due November 30	Principal Due November 30	Total Annual Debt Service
2007-08	\$ 28,155	\$ 131,372	\$ 159,527
2008-09	24,345	135,181	159,526
2009-10	20,425	139,102	159,527
2010-11	16,391	143,136	159,527
2011-12	12,240	147,287	159,527
2012-13	7,969	151,558	159,527
2013-14	2,682	123,222	125,904
Totals	<u>\$ 112,207</u>	<u>\$ 970,858</u>	<u>\$ 1,083,065</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$9,694,504 - Carlsbad Municipal Water District
State Water Resources Control Board Loan**

Fiscal Year	Interest Due June 1	Principal Due June 1	Total Annual Debt Service
2007-08	\$ 232,115	\$ 414,744	\$ 646,859
2008-09	221,747	425,113	646,860
2009-10	211,119	435,741	646,860
2010-11	200,225	446,634	646,859
2011-12	189,059	457,800	646,859
2012-13	177,614	469,245	646,859
2013-14	165,883	480,976	646,859
2014-15	153,859	493,000	646,859
2015-16	141,534	505,326	646,860
2016-17	128,901	517,959	646,860
2017-18	115,952	530,908	646,860
2018-19	102,679	544,180	646,859
2019-20	89,075	557,785	646,860
2020-21	75,130	571,729	646,859
2021-22	60,837	586,023	646,860
2022-23	46,186	600,673	646,859
2023-24	31,169	615,690	646,859
2024-25	15,777	631,082	646,859
Totals	<u>\$ 2,358,861</u>	<u>\$ 9,284,608</u>	<u>\$11,643,469</u>

**\$18,840,313 - Carlsbad Municipal Water District
State Water Resources Control Board Loan**

Fiscal Year	Interest Due April 1	Principal Due April 1	Total Annual Debt Service
2007-08	\$ 326,199	\$ 853,048	\$ 1,179,247
2008-09	413,707	765,539	1,179,246
2009-10	396,100	783,147	1,179,247
2010-11	378,087	801,159	1,179,246
2011-12	359,661	819,586	1,179,247
2012-13	340,810	838,436	1,179,246
2013-14	321,526	857,720	1,179,246
2014-15	301,799	877,448	1,179,247
2015-16	281,617	897,629	1,179,246
2016-17	260,972	918,275	1,179,247
2017-18	239,851	939,395	1,179,246
2018-19	218,245	961,001	1,179,246
2019-20	196,142	983,104	1,179,246
2020-21	173,531	1,005,716	1,179,247
2021-22	150,400	1,028,847	1,179,247
2022-23	126,736	1,052,511	1,179,247
2023-24	102,528	1,076,718	1,179,246
2024-25	77,764	1,101,483	1,179,247
2025-26	52,430	1,126,817	1,179,247
2026-27	26,513	1,152,734	1,179,247
Totals	<u>\$ 4,744,618</u>	<u>\$ 18,840,313</u>	<u>\$23,584,931</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$18,540,000 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Revenue Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2007-08	\$ 413,525	\$ 413,525	\$ 827,050	\$ -	\$ 827,050
2008-09	413,525	408,025	821,550	275,000	1,096,550
2009-10	408,025	402,225	810,250	290,000	1,100,250
2010-11	402,225	396,125	798,350	305,000	1,103,350
2011-12	396,125	389,625	785,750	325,000	1,110,750
2012-13	389,625	381,975	771,600	340,000	1,111,600
2013-14	381,975	373,875	755,850	360,000	1,115,850
2014-15	373,875	365,213	739,088	385,000	1,124,088
2015-16	365,212	356,100	721,312	405,000	1,126,312
2016-17	356,100	346,538	702,638	425,000	1,127,638
2017-18	346,537	335,288	681,825	450,000	1,131,825
2018-19	335,287	323,288	658,575	480,000	1,138,575
2019-20	323,287	310,538	633,825	510,000	1,143,825
2020-21	310,537	299,738	610,275	540,000	1,150,275
2021-22	299,737	288,438	588,175	565,000	1,153,175
2022-23	288,437	276,638	565,075	590,000	1,155,075
2023-24	276,637	262,688	539,325	620,000	1,159,325
2024-25	262,687	247,950	510,637	655,000	1,165,637
2025-26	247,950	232,425	480,375	690,000	1,170,375
2026-27	232,425	216,113	448,538	725,000	1,173,538
2027-28	216,112	199,013	415,125	760,000	1,175,125
2028-29	199,012	181,013	380,025	800,000	1,180,025
2029-30	181,012	162,113	343,125	840,000	1,183,125
2030-31	162,112	142,200	304,312	885,000	1,189,312
2031-32	142,200	121,275	263,475	930,000	1,193,475
2032-33	121,275	99,338	220,613	975,000	1,195,613
2033-34	99,337	76,275	175,612	1,025,000	1,200,612
2034-35	76,275	52,088	128,363	1,075,000	1,203,363
2035-36	52,087	26,663	78,750	1,130,000	1,208,750
2036-37	26,662	-	26,662	1,185,000	1,211,662
Totals	<u>\$ 8,099,817</u>	<u>\$ 7,686,308</u>	<u>\$15,786,125</u>	<u>\$ 18,540,000</u>	<u>\$ 34,326,125</u>



Introductory Section

Financial Section

Statistical Section

CITY OF CARLSBAD
Statistical Section

This section of the City of Carlsbad's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	127
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	132
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	142
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	146

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2001-02; schedules presenting government-wide information include information beginning in that year.

CITY OF CARLSBAD

**Net Assets by Component
Last Six Fiscal Years
(dollars in thousands)**

	2002 (1)	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 198,808	\$ 248,219	\$ 282,728	\$ 342,232	\$ 604,117	\$ 645,995 (2)
Restricted for:						
Capital assets	130,545	139,760	151,395	175,663	172,474	178,559
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144	27,453	30,356
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528	7,042	7,670
Other purposes	4,260	6,019	20,451	35,173	5,131	4,849 (3)
Unrestricted	126,632	146,018	149,662	152,352	197,672	232,701
Total governmental activities net assets	<u>\$ 482,877</u>	<u>\$ 565,481</u>	<u>\$ 634,171</u>	<u>\$ 738,092</u>	<u>\$ 1,013,889</u>	<u>\$ 1,100,130</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 143,175	\$ 165,943	\$ 185,971	\$ 213,101	\$ 234,560	\$ 253,645
Restricted for:						
Capital assets	96,807	96,666	102,585	100,597	107,841	47,164 (5)
Unrestricted	16,261	22,509	15,072	11,670	(22,240)	36,044 (4),(5)
Total business-type activities net assets	<u>\$ 256,243</u>	<u>\$ 285,118</u>	<u>\$ 303,628</u>	<u>\$ 325,368</u>	<u>\$ 320,161</u>	<u>\$ 336,853</u>
Total government						
Invested in capital assets, net of related debt	\$ 341,983	\$ 414,162	\$ 468,699	\$ 555,333	\$ 838,677	\$ 899,640
Restricted for:						
Capital assets	227,352	236,426	253,980	276,260	280,315	225,723
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144	27,453	30,356
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528	7,042	7,670
Other purposes	4,260	6,019	20,451	35,173	5,131	4,849
Unrestricted	142,893	168,527	164,734	164,022	175,432	268,745
Total net assets	<u>\$ 739,120</u>	<u>\$ 850,599</u>	<u>\$ 937,799</u>	<u>\$ 1,063,460</u>	<u>\$ 1,334,050</u>	<u>\$ 1,436,983</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports.

(1) The City first began calculating net asset balances in Fiscal Year 2001-02.

(2) The large increase in 2005-06 reflects the addition of infrastructure assets as per GASB34 requirements.

(3) Net Assets Restricted for Other Purposes increased significantly in Fiscal Years 2003-04 and 2004-05 to set aside funds for future golf course construction (\$15 million in 2003-04 and an additional \$15.3 million in 2004-05).

(4) The large decrease in 2005-06 reflects an additional \$30.3 million advance received from the General Fund by the Golf Course Fund.

(5) Beginning in Fiscal Year 2006-07, the City began reflecting funds set aside for the replacement of water and wastewater infrastructure as unrestricted net assets since these funds are not restricted per the GASB.



CITY OF CARLSBAD

**Changes in Net Assets
Last Six Fiscal Years
(dollars in thousands)**

	2002	2003	2004	2005	2006	2007	
Expenses							
Governmental activities							
General government	\$ 7,600	\$ 8,518	\$ 8,604	\$ 11,353	\$ 15,382	\$ 12,273	(1)
Public safety	25,660	27,748	30,894	34,366	35,822	38,327	
Community development	10,539	12,004	13,814	14,363	14,332	13,860	
Community services	13,270	14,538	15,035	16,033	16,790	17,913	
Public works	15,015	16,826	19,534	22,064	35,937	37,278	
Interest and fiscal charges on long-term debt	1,673	1,048	996	1,014	1,036	688	
Total governmental activities	73,757	80,682	88,877	99,193	119,299	120,339	
Business-type activities							
Carlsbad Municipal Water District	19,311	19,261	20,950	21,422	24,124	40,383	(2)
Golf course	98	93	54	25	2,471	200	
Wastewater	6,169	6,104	6,891	7,235	8,265	9,590	
Solid waste	213	218	1,300	1,488	1,699	1,901	
Total business-type activities	25,791	25,676	29,195	30,170	36,559	52,074	
Total government	\$ 99,548	\$ 106,358	\$ 118,072	\$ 129,363	\$ 155,858	\$ 172,413	
Program Revenues							
Governmental activities							
Charges for services:							
General government	\$ 582	\$ 750	\$ 571	\$ 926	\$ 945	\$ 1,194	
Public safety	2,957	3,269	3,699	3,232	3,611	4,170	
Community development	3,810	4,261	4,203	5,934	4,677	4,158	
Community services	1,828	2,086	2,102	2,292	2,437	2,639	
Public works	5,440	6,668	4,533	4,633	6,451	5,083	
Operating grants and contributions	7,985	10,139	14,570	12,817	12,116	17,597	(3)
Capital grants and contributions	26,852	45,180	42,215	74,414	39,286	49,254	(4)
Total governmental activities	49,454	72,353	71,893	104,248	69,523	84,095	
Business-type activities							
Charges for services:							
Carlsbad Municipal Water District	19,102	18,276	18,862	18,788	19,462	22,186	
Wastewater	5,919	6,286	6,203	6,378	6,801	7,507	
Solid waste	505	868	1,673	2,348	1,893	1,966	
Operating grants and contributions	577	1,267	1,504	508	718	2,296	
Capital grants and contributions	16,155	19,539	17,377	17,122	11,213	25,053	(4)
Total business-type activities	42,258	46,236	45,619	45,144	40,087	59,008	
Total government	\$ 91,712	\$ 118,589	\$ 117,512	\$ 149,392	\$ 109,610	\$ 143,103	
Net (Expense)/Revenue:							
Governmental activities	\$ (24,303)	\$ (8,329)	\$ (16,984)	\$ 5,055	\$ (49,776)	\$ (36,244)	
Business-type activities	16,467	20,560	16,424	14,974	3,528	6,934	
Total government net expense	\$ (7,836)	\$ 12,231	\$ (560)	\$ 20,029	\$ (46,248)	\$ (29,310)	

CITY OF CARLSBAD

**Changes in Net Assets
Last Six Fiscal Years
(dollars in thousands)**

	2002	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental activities						
Taxes:						
Property taxes	\$ 28,495	\$ 31,411	\$ 33,949	\$ 41,479	\$ 43,936	\$ 49,284
Sales and use taxes	21,004	25,767	24,578	24,759	25,429	27,445
Transient occupancy taxes	8,533	8,387	8,813	10,072	11,513	12,929
Franchise taxes	7,495	3,730	5,027	5,683	5,429	5,346
Business license taxes	2,440	2,305	2,872	2,890	3,040	3,056
Real property transfer taxes	1,193	1,127	1,587	1,646	1,906	1,262
Vehicle license fees	4,675	5,067	4,125	2,136	587	608
Income from property and investments	18,095	13,347	3,124	9,910	11,682	21,455
Other general revenues	762	390	637	441	650	700
Transfers	17	(600)	963	(150)	(315)	400
Total governmental activities	92,709	90,931	85,675	98,866	103,857	122,485
Business type activities						
Property taxes	1,516	1,672	1,842	2,025	2,257	2,504
Income from property and investments	7,010	5,836	1,193	4,162	3,538	7,621
Other general revenues	804	208	14	579	56	34
Transfers	(17)	600	(963)	-	315	(400)
Total business-type activities	9,313	8,316	2,086	6,766	6,166	9,759
Total government	\$ 102,022	\$ 99,247	\$ 87,761	\$ 105,632	\$ 110,023	\$ 132,244
Change in Net Assets						
Governmental activities	\$ 68,406	\$ 82,602	\$ 68,691	\$ 103,921	\$ 54,081	\$ 86,241
Business-type activities	25,780	28,876	18,510	21,740	9,694	16,693
Total government	\$ 94,186	\$ 111,478	\$ 87,201	\$ 125,661	\$ 63,775	\$ 102,934

Source: City of Carlsbad Comprehensive Annual Financial Report.

Note: Data in this table is available from the date the City implemented GASB 34 (Fiscal Year 2001-02).

(1) In Fiscal Year 2005-06, the City incurred clean-up and repair costs related to the winter storms of 2005.

(2) In Fiscal Year 2006-07, the Water Enterprise settled a lawsuit regarding a landslide at the Marbella Condominiums for \$11.3 million and the Enterprise transferred funds to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45.

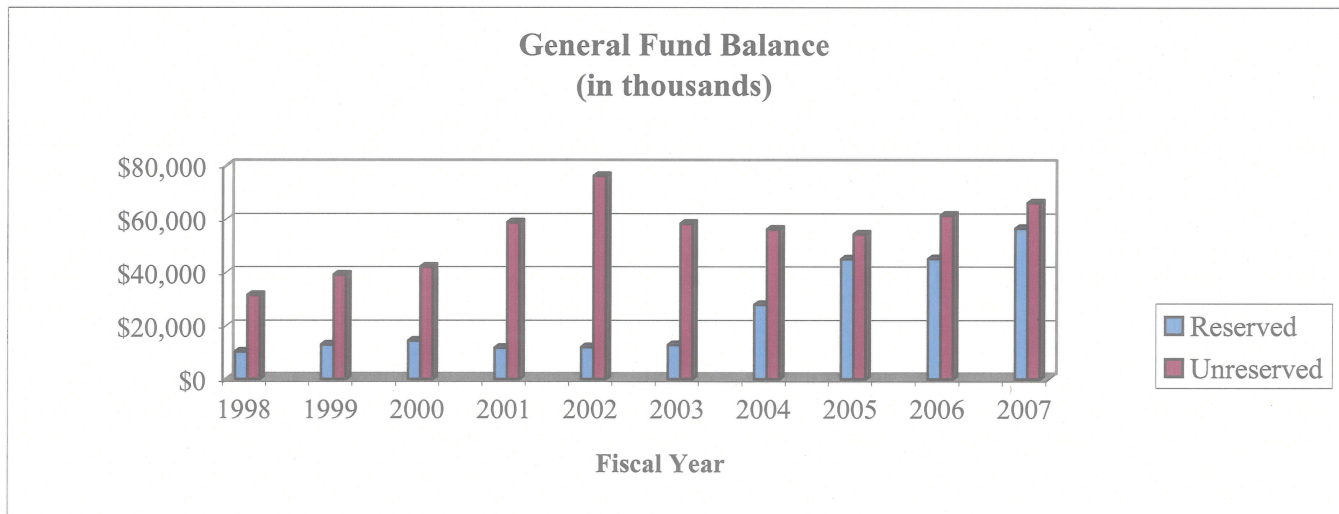
(3) The large increase in Fiscal Year 2006-07 reflects a \$6.3 million reimbursement from the Federal Highway Administration for reimbursement of the 2005 winter storm damage in the City.

(4) The large increase in Fiscal Year 2006-07 reflects the recording of infrastructure assets acquired by the City for development at Bressi Ranch, the Oaks South, the Ridge and the Greens communities.

CITY OF CARLSBAD

Fund Balances of Governmental Funds Last Ten Fiscal Years (dollars in thousands)

	1998	1999 (1)	2000	2001	2002
General Fund					
Reserved	\$ 10,346	\$ 12,893	\$ 14,324	\$ 11,746	\$ 12,006
Unreserved	31,498	39,221	42,179	58,857	76,149
Total General Fund	<u>\$ 41,844</u>	<u>\$ 52,114</u>	<u>\$ 56,503</u>	<u>\$ 70,603</u>	<u>\$ 88,155</u>
All Other Governmental Funds					
Reserved	\$ 27,255	\$ 30,938	\$ 27,658	\$ 36,030	\$ 37,776
Unreserved, reported in:					
Special revenue funds	15,016	18,639	20,458	19,709	20,542
Debt service funds (1)	433	291	(11,092)	(11,586)	(10,371)
Capital project funds	87,336	102,038	108,866	131,382	128,869
Total all other governmental funds	<u>\$ 130,040</u>	<u>\$ 151,906</u>	<u>\$ 145,890</u>	<u>\$ 175,535</u>	<u>\$ 176,816</u>



Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) Effective July 1, 1999, the City changed the manner in which it accounted for advances from the City to the Redevelopment Agency, and began recording such advances as a liability on the balance sheet of the funds obligated for the repayment.
- (2) A \$35 million transfer was made in Fiscal Year 2003 from the General Fund to the General Capital Construction Fund to assist in the construction of four large projects.
- (3) \$15 million was reserved at the end of the 2005 Fiscal Year for future advances to the Golf Course Fund.
- (4) \$30.3 million was reserved at the end of the 2006 Fiscal Year for future advances to the Golf Course Fund.
- (5) A \$9.7 million transfer was made in Fiscal Year 2007 from the General Fund to the Golf Course Fund to assist in the construction of the City's new municipal golf course.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 12,794	\$ 27,917 (3)	\$ 44,996 (4)	\$ 45,131	\$ 56,505 (5)
58,343 (2)	56,141	54,400	61,494	66,084
<u>\$ 71,137</u>	<u>\$ 84,058</u>	<u>\$ 99,396</u>	<u>\$ 106,625</u>	<u>\$ 122,589</u>
\$ 44,265	\$ 54,414	\$ 49,583	\$ 38,000	\$ 44,352
21,011	29,841	30,031	30,024	32,485
(10,449)	(9,789)	(11,317)	(11,681)	(12,423)
<u>171,227</u>	<u>171,194</u>	<u>206,711</u>	<u>221,393</u>	<u>231,071</u>
<u>\$ 226,054</u>	<u>\$ 245,660</u>	<u>\$ 275,008</u>	<u>\$ 277,736</u>	<u>\$ 295,485</u>

CITY OF CARLSBAD

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (dollars in thousands)

	1998	1999	2000	2001	2002
Revenues:					
Taxes	\$ 52,985	\$ 57,508	\$ 62,268	\$ 70,147	\$ 71,528
Intergovernmental	20,296	17,802	14,094	14,286	14,267
Licenses and permits	3,279	3,827	3,321	3,409	1,998
Charges for services	7,615	6,805	5,749	6,427	7,751
Fines and forfeitures	331	936	840	889	947
Income from property and investments	8,632	8,925	10,496	20,385	18,700
Contributions from property owners	16,610	45,763	14,733	15,982	11,251
Donations	220	350	561	312	210
Miscellaneous	1,514	1,544	1,183	2,260	2,386
Total revenues	<u>111,482</u>	<u>143,460</u>	<u>113,245</u>	<u>134,097</u>	<u>129,038</u>
Expenditures:					
Current:					
General government	6,748	6,784	7,383	9,022	8,415
Less: Interdepartmental charges	(1,919)	(1,934)	(2,007)	(2,148)	(2,284)
Public safety	18,631	21,928	21,799	23,627	25,598
Community development	7,895	8,636	11,538	9,352	10,316
Community services	6,673	7,541	9,088	11,571	12,449
Public works	11,437	12,690	13,823	14,402	15,404
Capital outlay	23,854	52,107	39,543	22,067	37,503
Debt service:					
Principal	1,663	825	821	1,029	1,133
Interest and fiscal charges	3,144	1,645	1,660	1,814	1,694
Total expenditures	<u>78,126</u>	<u>110,222</u>	<u>103,648</u>	<u>90,736</u>	<u>110,228</u>
Excess (deficiency) of revenues over (under) expenditures	33,356	33,238	9,597	43,361	18,810
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	-	-
Proceeds of advances	579	589	-	-	-
Proceeds of debt	9,252	-	332	91	6
Transfers in	2,069	2,603	15,533	9,544	11,833
Transfers out	(2,097)	(2,603)	(15,533)	(9,651)	(11,816)
Total other financing sources (uses)	<u>9,803</u>	<u>589</u>	<u>332</u>	<u>(16)</u>	<u>23</u>
Net change in fund balances	<u>\$ 43,159</u>	<u>\$ 33,827</u>	<u>\$ 9,929</u>	<u>\$ 43,345</u>	<u>\$ 18,833</u>
Debt service as percentage of noncapital expenditures (1,2)					3.86%

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Assets) and expenditures for capitalized assets included within the functional expenditure categories.
- (2) Information not available for years prior to GASB 34 implementation.

2003	2004	2005	2006	2007
\$ 74,156	\$ 79,533	\$ 84,065	\$ 94,862	\$ 101,196
19,775	22,506	24,245	13,027	25,097
2,043	2,329	3,393	2,504	2,094
10,059	9,899	10,433	11,038	10,937
923	1,092	1,084	1,178	1,387
14,802	3,902	10,741	10,387	22,270
14,547	23,682	49,446	25,365	10,311
149	141	164	130	173
2,349	1,543	1,107	2,077	950
138,803	144,627	184,678	160,568	174,415

8,805	9,745	12,113	16,311	18,013
(2,815)	(2,735)	(2,700)	(2,639)	(2,151)
26,798	30,799	33,819	36,365	39,832
11,799	13,644	14,319	14,300	13,998
13,374	13,915	14,744	15,637	16,667
18,177	18,045	18,737	20,327	22,481
26,410	26,406	46,420	47,032	30,765
1,672	1,214	1,040	1,037	1,091
1,628	1,466	1,501	1,599	1,333
105,848	112,499	139,993	149,969	142,029

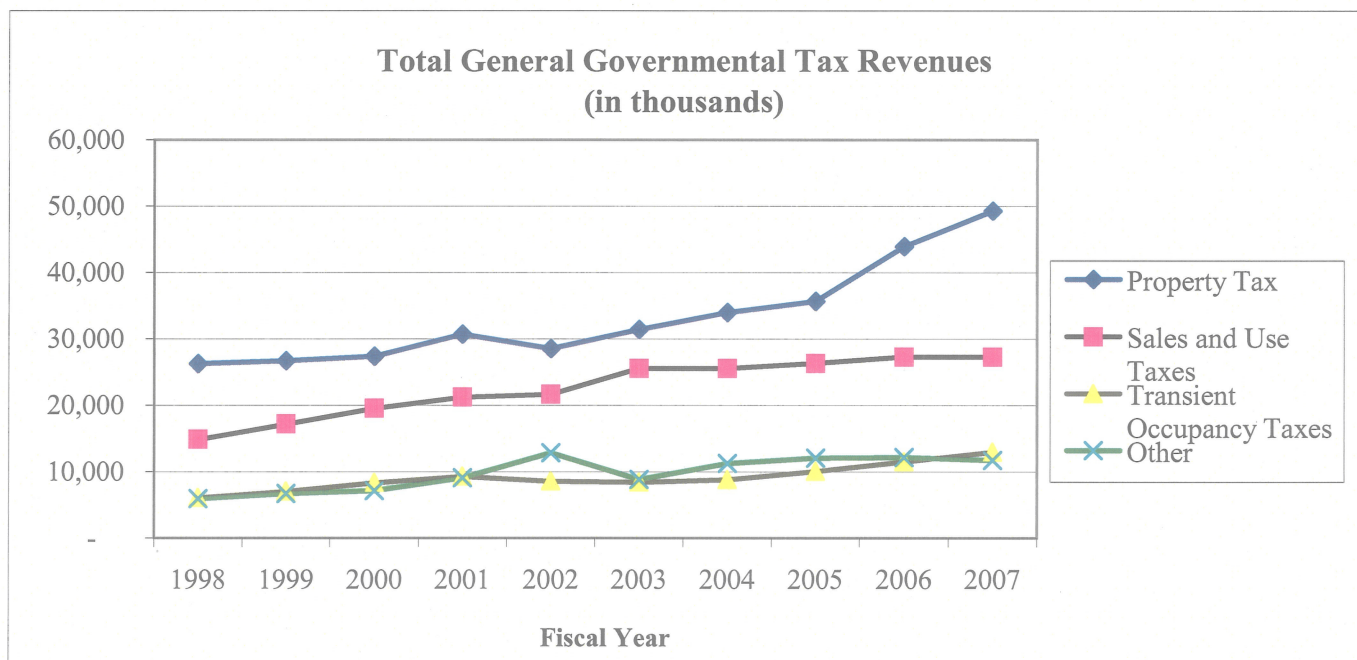
32,955	32,128	44,685	10,599	32,386
-	-	-	-	1,364
-	-	-	-	-
-	-	-	-	-
47,846	8,729	10,228	11,685	9,723
(48,581)	(8,329)	(10,228)	(12,334)	(9,760)
(735)	400	-	(649)	1,327
\$ 32,220	\$ 32,528	\$ 44,685	\$ 9,950	\$ 33,713

4.17%	3.10%	2.71%	2.41%	2.01%
-------	-------	-------	-------	-------

CITY OF CARLSBAD

General Governmental Tax Revenues by Source Last Ten Fiscal Years (in thousands)

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Misc. Taxes	Total Tax Revenue
1998	\$ 26,249	\$ 14,817	\$ 6,046	\$ 1,714	\$ 1,604	\$ 836	\$ 1,719	\$ 52,985
1999	26,688	17,129	7,010	1,954	1,738	1,081	1,908	57,508
2000	27,335	19,493	8,333	2,592	1,864	993	1,658	62,268
2001	30,656	21,197	9,269	3,916	2,300	1,095	1,714	70,147
2002	28,512	21,661	8,533 (4)	7,495 (5)	2,440	1,193	1,694	71,528
2003	31,412	25,543 (3)	8,387	3,730	2,305	1,127	1,652	74,156
2004	33,949	25,571	8,814	5,027	2,872 (2)	1,587	1,713	79,533
2005	35,650 (1)	26,331	10,072	5,683	2,890	1,646	1,793	84,065
2006	43,936	27,294	11,513	5,429	3,040	1,906	1,744	94,862
2007	49,284	27,289	12,929	5,346	3,056	1,262 (6)	2,030	101,196
Change 1998-2007	88%	84%	114%	212%	91%	51%	18%	91%



Source: City of Carlsbad.

* Includes Vehicle License Fees (VLF) in lieu, property tax increment, low/moderate housing, set aside taxes and CFD#1 special taxes.

(1) Vehicle License Fee revenue began decreasing in 2004-05 because the City began receiving property taxes in lieu of a portion of the VLF.

(2) This reflects the results from hiring a company to assist in the identification of unlicensed businesses, and the recovery of non-reported and under-reported business license taxes.

(3) The City modified the methodology used in accruing sales tax revenue for the year, in accordance with Generally Accepted Accounting Principles (GAAP).

(4) The drop in transient occupancy tax was the result of the impacts from September 11, 2001 on tourism.

(5) This was the result of higher natural gas prices paid by consumers in calendar year 2001.

(6) Reflects the beginning of the downturn in the housing market.

CITY OF CARLSBAD

**Water and Wastewater Rates
Last Ten Fiscal Years**

Fiscal Year	Water		Wastewater
	Monthly Delivery Charge	Base Price Per Unit (1)	Monthly Base Rate
1998	\$9.25	\$1.70	\$15.00
1999	9.25	1.70	15.00
2000	9.25	1.60	15.00
2001	9.25	1.60	13.00
2002	9.25	1.60	13.00
2003	9.25	1.60	13.00
2004	9.25	1.60	13.00
2005	9.25	1.60	13.00
2006	9.25	1.60	13.50
2007	9.75	1.68	14.65

Source: City of Carlsbad.

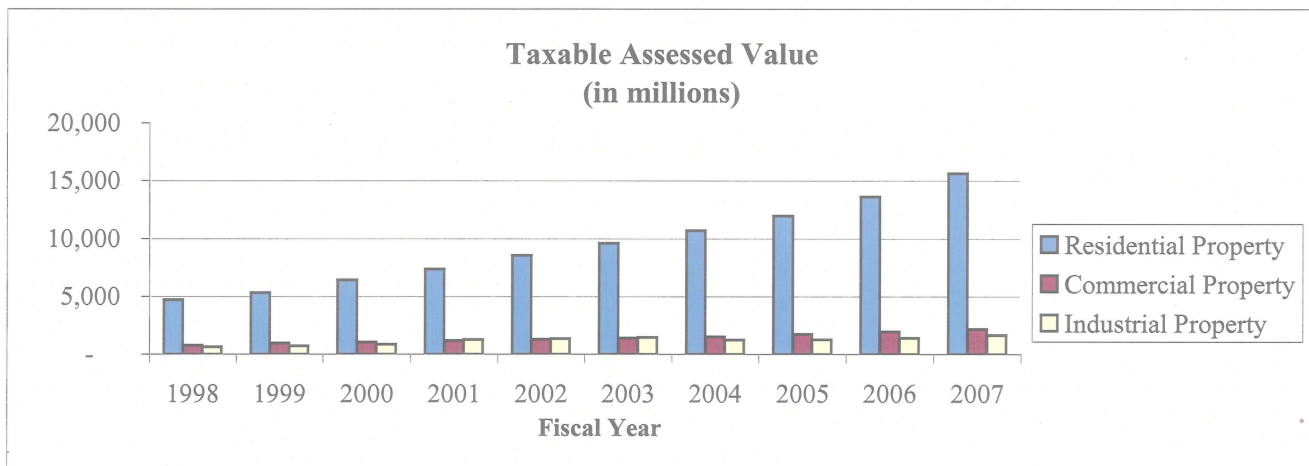
Note: Rates shown are for a 5/8" meter, which is the standard household meter size.

(1) One unit of water equals 748 gallons.

CITY OF CARLSBAD

Assessed Value of Taxable Property Last Ten Fiscal Years (dollars in millions)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property (1)	Net Assessed Valuation	Total Property Tax Revenue (2)	Total Direct Tax Rate (3)
1998	\$ 4,723	\$ 766	\$ 631	\$ 304	\$ 6,424	\$ 12.410	0.193%
1999	5,315	954	713	410	7,392	14.196	0.192%
2000	6,418	1,036	854	583	8,891	16.762	0.189%
2001	7,367	1,192	1,282	649	10,490	19.658	0.187%
2002	8,543	1,310	1,341	657	11,851	22.286	0.188%
2003	9,612	1,413	1,469	516	13,010	24.974	0.192%
2004	10,700	1,516	1,231	856	14,303	26.960	0.188%
2005	11,984	1,749	1,266	742	15,741	33.330 (4)	0.212%
2006	13,619	1,962	1,398	729	17,708	38.041	0.215%
2007	15,650	2,181	1,660	569	20,060	43.651	0.218%



Source: County of San Diego, California Auditor and Controller.

Notes: Information about estimated actual value of property is not available; the assessed value is based on the most recent sales value and includes secured property only.

(1) Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.

(2) The total direct tax rate was calculated by dividing the total property tax revenue by the total taxable value.

(3) Property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.

(4) In Fiscal Year 2004-05, there was an increase in the property taxes received, offset by a decrease in Vehicle License Fees (VLF).

CITY OF CARLSBAD

**Principal Property Taxpayers
Current Year and Nine Years Ago**

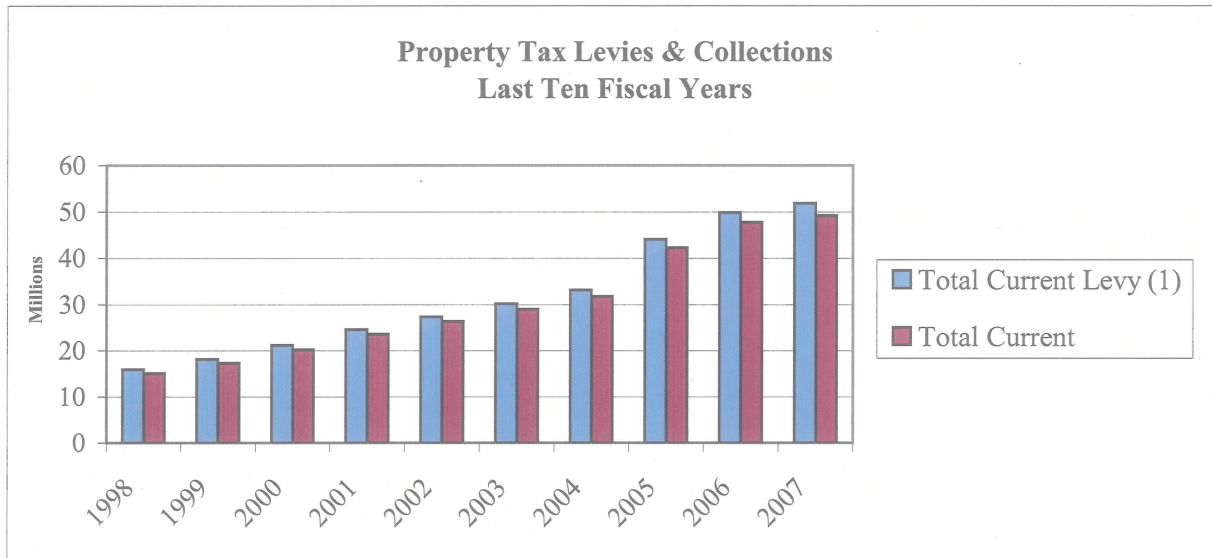
	2007			1998		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
Callaway Golf Company	\$ 145,211,900	1	0.72%	\$ 117,984,057	3	1.84%
Aviara Resort Associates LLC	129,594,602	2	0.65%	270,622,828	2	4.21%
KSL La Costa Resort Corp.	129,428,459	3	0.65%	111,589,980	4	1.74%
Greystone Homes Inc.	114,916,672	4	0.57%	-	-	-
Continuing Life Communities LLC	113,158,766	5	0.56%	-	-	-
CPG Carlsbad Holdings LLC	107,453,677	6	0.54%	-	-	-
Legoland California, Inc.	103,301,253	7	0.51%	-	-	-
Pulte Home Corp.	86,731,338	8	0.43%	-	-	-
H.G. Fenton Company	82,896,284	9	0.41%	-	-	-
Borders, Inc.	79,216,564	10	0.39%	-	-	-
San Diego Gas & Electric Co.	-	-	-	277,633,029	1	4.32%
Brehm-Aviara III Development	-	-	-	46,942,229	5	0.73%
Gemological Institute of America	-	-	-	44,959,035	6	0.70%
Craig Realty Group Carlsbad LLC	-	-	-	44,811,766	7	0.70%
Prentiss Properties Acquisition	-	-	-	43,587,368	8	0.68%
Air Products & Chemicals, Inc.	-	-	-	38,740,613	9	0.60%
Daniels Cablevision, Inc.	-	-	-	37,076,188	10	0.58%
Total	<u>\$ 1,091,909,515</u>		<u>5.43%</u>	<u>\$ 1,033,947,093</u>		<u>16.10%</u>
Net assessed valuation	<u>\$ 20,059,893,358</u>			<u>\$ 6,424,230,646</u>		

Source: County of San Diego Office of the Auditor and Controller, County Assessor, and MuniServices, LLC

CITY OF CARLSBAD

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Current Levy (1)</u>	<u>Total Current Collections (2)</u>	<u>% of Levy Collected</u>
1998	15,885,090	15,061,614	94.80%
1999	18,159,348	17,303,313	95.30%
2000	21,153,690	20,176,885	95.40%
2001	24,597,515	23,572,005	95.80%
2002	27,351,054	26,360,056	96.40%
2003	30,178,314	29,018,421	96.20%
2004	33,117,599	31,753,020	95.90%
2005	44,057,622 (3)	42,251,018	95.90%
2006	49,806,112	47,723,226	95.80%
2007	51,854,596	49,219,793	94.90%



Source: County of San Diego Office of the Auditor and Controller.

(1) Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.

(2) Total Current Collections includes prior year delinquencies and adjustments; delinquency collections by year are not available.

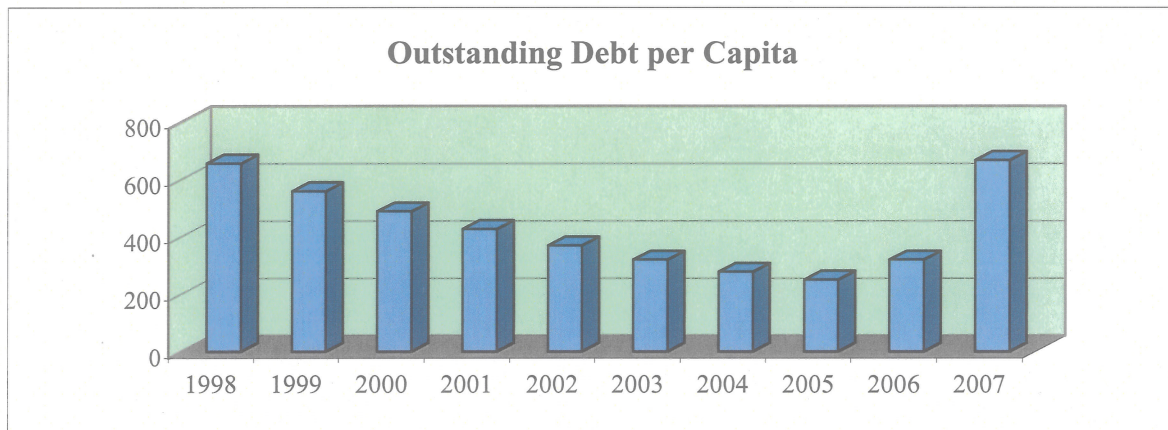
(3) Starting in Fiscal Year 2004-05, the City received additional property tax payments in lieu of vehicle license fees.



CITY OF CARLSBAD

Ratios of Outstanding Debt by Type Last Ten Fiscal Years (dollars in thousands except per capita)

Governmental Activities				
Fiscal Year	Bonds / Special Debt	Certificates of Participation	Capital Leases	Loans Payable
1998	\$ 14,740	\$ 6,595	\$ 2,399	\$ 875
1999	14,460	6,075	633	750
2000	14,170	5,570	904	620
2001	13,865	5,055	888	480
2002	13,540	4,515	791	330
2003	13,200	3,950	179	170
2004	12,840	3,360	79	-
2005	12,460	2,740	7	-
2006	12,065	2,105	1	-
2007	11,645	1,435	-	-



Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) During Fiscal Year 2006-07, Carlsbad Municipal Golf Course Revenue Bonds were issued for \$18.5 million.

(2) The State Water Resources Control Board issued low interest loans for the Carlsbad Water Recycling Facility for \$9.7 million during Fiscal Year 2005-06, and \$18.8 million in Fiscal Year 2006-07.

(3) Percentage of personal income is calculated using personal income for the prior year.

Sources: SANDAG, California Department of Finance, American Community Survey.

Business-Type Activities									
Accrued Assessments	Bonds / Special Debt (1)	Certificates of Participation	Installment Purchase Agreements	Loan Payable (2)	Capital Leases	Total	Percentage of Personal Income (3)	Per Capita	
\$ 1,985	-	\$ 6,360	\$ 10,675	\$ 1,999	\$ -	\$ 45,628	n/a	\$ 655.57	
1,252	-	5,405	10,250	1,897	-	40,722	1.03%	558.60	
951	-	4,410	9,810	1,792	-	38,227	0.88%	488.54	
789	-	3,370	9,350	1,705	-	35,502	0.75%	426.49	
621	-	2,295	8,870	1,574	-	32,536	0.66%	369.22	
443	-	1,175	8,375	1,460	-	28,952	0.58%	319.41	
257	-	-	7,855	1,343	-	25,734	0.52%	277.24	
-	-	-	7,305	1,223	-	23,735	0.45%	250.12	
-	-	-	6,730	10,592	-	31,493	0.57%	319.27	
-	18,540	-	6,125	29,096	699	67,540	1.18%	666.49	



CITY OF CARLSBAD

Schedule of Direct and Overlapping Bonded Debt Current Fiscal Year

Fiscal Year 2006-07 Assessed Valuation:	\$ 20,379,917,876
Redevelopment Incremental Valuation:	320,024,518
Adjusted Assessed Valuation:	<u>\$ 20,059,893,358</u>

	Total Debt 06/30/07	Percent Applicable (1)	City's Share of Debt 6/30/07
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 359,115,000	1.25%	\$ 4,488,938
Palomar Community College District	160,000,000	3.00%	4,792,000
Carlsbad Unified School District	18,428,400	97.64%	17,992,753
Carlsbad Unified School District CFD No. 1	7,750,000	100.00%	7,750,000
Oceanside Unified School District	120,695,000	0.01%	6,035
Vista Unified School District	111,744,882	0.19%	216,785
Encinitas Union School District	20,684,827	31.20%	6,453,459
San Marcos Unified School District School Facility Improvement District	17,278,019	38.00%	6,565,820
San Marcos Unified School District CFD No. 4	24,850,000	24.40%	6,064,146
San Marcos Unified School District CFD No. 5	25,180,000	100.00%	25,180,000
San Dieguito Union HS District CFD No. 94-1	272,623	100.00%	272,623
San Dieguito Union HS District CFD No. 94-2	19,938,100	98.08%	19,555,288
San Dieguito Union HS District CFD No. 95-2	821,938	12.03%	98,920
San Dieguito Union High School District Combined CFD	48,440,000	30.40%	14,725,276
Palomar Pomerado Hospital District	73,815,000	2.16%	1,595,880
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	18,375,000	22.17%	4,073,370
City of Carlsbad CFD No. 3, I.A. No. 1	11,490,000	100.00%	11,490,000
City of Carlsbad 1915 Act Bonds	71,275,000	100.00%	71,275,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,110,153,789</u>		<u>\$ 202,596,293</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 351,215,000	6.43%	\$ 22,576,100
San Diego County Pension Obligations	1,343,747,916	6.43%	86,376,116
San Diego City Superintendent of Schools General Fund Obligations	18,042,500	6.43%	1,159,772
Mira Costa Community College District Certificates of Participation	4,505,000	27.00%	1,216,575
Palomar Community College District General Fund Obligations	8,065,000	3.00%	241,547
Carlsbad Unified School District General Fund Obligations	55,345,000	97.64%	54,036,644
San Marcos Unified School District General Fund Obligations	5,675,000	32.79%	1,860,946
Encinitas Union School District Certificates of Participation	1,165,000	31.20%	363,468
Other School District Certificates of Participation	9,180,000	Various	15,060
City of Carlsbad General Fund Obligations	<u>1,435,000</u>	<u>100.00%</u>	<u>1,435,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	<u>\$ 1,798,375,416</u>		<u>\$ 169,281,228</u>
COMBINED TOTAL DEBT	<u>\$ 2,908,529,205</u>		<u>\$ 371,877,521 (2)</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Fiscal Year 2006-07 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.99%
---	-------

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,435,000)	0.01%
Combined Total Debt	1.85%

Source: MuniServices, LLC and County of San Diego Office of the Auditor and Controller

CITY OF CARLSBAD

Direct and Overlapping Debt

Last Ten Fiscal Years

(rate per \$1,000 of assessed value)

	1998	1999	2000
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Diego County Water Authority	\$ 0.068	\$ 0.054	\$ 0.040
Metropolitan Water District	0.696	0.691	0.611
Palomar Community College District	-	-	-
Carlsbad Unified School District	4.009	3.502	2.909
Carlsbad Unified School District Lease Tax Obligations	1.076	0.729	0.186
Carlsbad Unified School District CFD No. 1	1.778	1.638	1.315
Oceanside Unified School District	-	-	-
Vista Unified School District	-	-	-
Encinitas Union School District	1.032	0.941	0.874
Encinitas Union School District Lease Tax Obligations	0.226	0.174	0.131
San Marcos Unified School District School Fac. Improv. Dist.	1.023	0.785	0.682
Tri-City Hospital District	0.012	-	-
Palomar Pomerado Hospital District	-	-	-
Leucadia County Water District and I.D. No. 1	0.004	-	-
Vallecitos Water District and I.D. No. 6	-	-	-
San Marcos Unified School District CFD No. 4	-	-	-
San Marcos Unified School District CFD No. 5	-	1.752	1.457
San Dieguito Union HS District CFD No. 1	-	2.581	1.319
San Dieguito Union HS District CFD No. 94-1	-	-	-
San Dieguito Union HS District CFD No. 94-2	-	-	-
San Dieguito Union HS District CFD No. 95-2	-	-	-
San Dieguito Union HS District combined CFD	-	-	-
Olivenhain Municipal Water District, I.D. No. 1	0.017	0.011	0.005
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.683	0.611	0.553
City of Carlsbad CFD No. 3, I.A. No. 1	-	-	-
City of Carlsbad 1915 Act Bonds	4.702	6.467	4.908
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
San Diego County General Fund Obligations	\$ 3.958	\$ 3.584	\$ 3.524
San Diego County Pension Obligations	2.935	2.569	2.149
San Diego City Superintendent of Schools General Fund Obligations	0.017	0.016	0.014
Mira Costa Community College District Certificates of Participation	0.061	0.246	0.207
Palomar Community College District General Fund Obligations	-	-	-
Carlsbad Unified School District General Fund Obligations	1.733	1.514	1.460
San Marcos Unified School District General Fund Obligations	-	-	-
San Marcos Unified School District Certificates of Participation	0.103	0.075	0.050
Encinitas Union School District Certificates of Participation	0.268	0.212	0.166
Other School District Certificates of Participation	0.026	0.028	0.021
City of Carlsbad General Fund Obligations	1.027	0.822	0.626

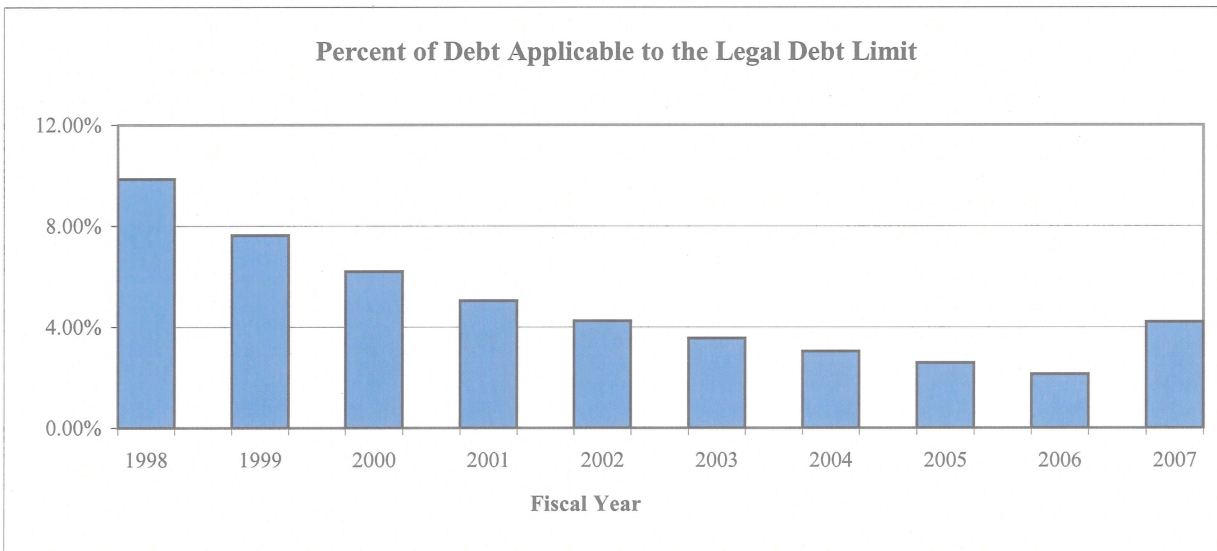
Source: California Municipal Statistics, Inc. & MuniServices, LLC

2001		2002		2003		2004		2005		2006		2007	
\$	0.028	\$	0.017	\$	0.008	\$	-	\$	-	\$	-	\$	-
	0.545		0.481		0.398		0.368		0.319		0.269		0.224
	-		-		-		-		-		-		0.239
	2.472		2.099		1.832		1.594		1.342		1.102		0.897
	0.187		0.122		0.070		0.033		-		-		-
	1.073		0.909		0.789		0.678		0.578		0.477		0.386
	-		-		-		-		-		-		-
	-		0.005		0.004		0.005		0.005		0.007		0.011
	0.756		0.678		0.621		0.530		0.471		0.389		0.322
	0.138		0.050		0.020		-		-		-		-
	0.615		0.629		0.544		0.524		0.448		0.383		0.327
	-		-		-		-		-		-		-
	-		-		-		-		-		0.100		0.080
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	-		-		-		-		-		0.187		0.302
	1.216		1.059		1.909		1.886		1.677		1.457		1.255
	-		-		-		-		-		-		-
	0.029		0.025		0.023		0.020		0.018		0.016		0.014
	2.051		1.816		1.628		1.456		1.298		1.128		0.975
	0.032		0.028		0.025		0.023		0.020		0.006		0.005
	-		-		-		0.973		0.884		0.832		0.734
	-		-		-		-		-		-		-
	0.465		0.400		0.357		0.314		0.279		0.242		0.203
	-		-		-		-		-		0.649		0.573
	3.959		3.287		2.809		3.145		4.848		4.143		3.553
\$	3.016	\$	2.701	\$	2.281	\$	1.881	\$	1.855	\$	1.385	\$	1.125
	1.801		1.470		3.951		5.528		5.008		4.376		4.306
	0.012		0.011		0.010		0.009		0.051		0.044		0.058
	0.176		0.145		0.121		0.098		0.085		0.072		0.061
	-		-		-		-		-		0.013		0.012
	5.493		4.843		4.392		3.961		3.557		3.106		2.694
	-		-		-		0.143		0.122		0.106		0.093
	0.031		0.015		-		-		-		-		-
	0.063		0.078		0.045		0.037		0.032		0.024		0.018
	0.018		0.022		0.021		0.018		0.015		0.001		0.001
	0.482		0.381		0.304		0.235		0.174		0.119		0.072

CITY OF CARLSBAD

**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Net assessed valuation	\$ 6,424,231	\$ 7,391,939	\$ 8,890,683	\$ 10,490,116	\$ 11,850,679
Debt limit (25% x 15%)	240,909	277,198	333,401	393,380	444,400
Less amount of debt applicable to limit:					
Bonded debt	14,740	14,460	14,170	13,865	13,540
Certificates of participation	6,595	6,075	5,570	5,055	4,515
Obligations under capital leases	<u>2,399</u>	<u>633</u>	<u>904</u>	<u>888</u>	<u>791</u>
Total net debt applicable to limit	23,734	21,168	20,644	19,808	18,846
Legal debt margin	<u>\$ 217,175</u>	<u>\$ 256,030</u>	<u>\$ 312,757</u>	<u>\$ 373,572</u>	<u>\$ 425,554</u>
Total net debt applicable to the limit as a percentage of debt limit	9.85%	7.64%	6.19%	5.04%	4.24%



Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent (as adjusted by 25% per the law) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) \$18.5 million in golf course bonds were issued in Fiscal Year 2006-07. If the golf course net operating revenue is not sufficient to cover the debt service payment, the General Fund will make the debt service payment.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 13,009,712	\$ 14,303,050	\$ 15,741,122	\$ 17,707,928	\$ 20,059,893
487,864	536,364	590,292	664,047	752,246
13,200	12,840	12,460	12,065	30,185 (1)
3,950	3,360	2,740	2,105	1,435
179	79	7	1	-
<u>17,329</u>	<u>16,279</u>	<u>15,207</u>	<u>14,171</u>	<u>31,620</u>
<u>\$ 470,535</u>	<u>\$ 520,085</u>	<u>\$ 575,085</u>	<u>\$ 649,876</u>	<u>\$ 720,626</u>

3.55%

3.04%

2.58%

2.13%

4.20%

CITY OF CARLSBAD

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Wastewater Revenue Bonds					
	Gross Revenues (1)	Less: Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998	\$ 7,531,548	\$ 3,037,634	\$ 4,493,914	\$ 405,000	\$ 513,179	4.89
1999	7,897,329	3,762,721	4,134,608	425,000	517,672	4.39
2000	8,421,638	3,792,799	4,628,839	440,000	500,371	4.92
2001	11,089,995	4,352,912	6,737,083	460,000	482,027	7.15
2002	9,438,807	4,707,348	4,731,459	480,000	462,162	5.02
2003	9,342,266	4,584,265	4,758,001	495,000	441,199	5.08
2004	6,854,001	5,284,357	1,569,644	520,000	416,256	1.68
2005	8,557,183	5,156,663	3,400,520	550,000	389,581	3.62
2006	8,306,783	6,009,282	2,297,501	575,000	361,394	2.45
2007	11,325,931	7,168,463	4,157,468	605,000	328,944	4.45

Source: City of Carlsbad

- (1) Include operating and non-operating revenues.
- (2) Include operating and non-operating expenses, excluding depreciation.
- (3) Include recycled water operating and non-operating revenues and fees.
- (4) Include recycled water operating and non-operating expenses, excluding depreciation.
- (5) Fiscal Year 2006-07 is the first year loan payments were made.

Recycled Water Loans

Debt Service					
Gross Revenues (3)	Less: Expenses (4)	Net Available Revenue	Principal (5)	Interest	Coverage
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
4,187,043	2,205,573	1,981,470	537,565	268,821	2.46

CITY OF CARLSBAD

Demographic and Economic Statistics Last Ten Fiscal Years

Year	Total Population	% of S.D. County Population	% Change from Previous Year	Median Age	Avg. Household Size
1998	69,600	2.58%	3.73%	n/a	n/a
1999	72,900	2.65%	4.74%	n/a	n/a
2000	78,247	2.78%	7.33%	38.9	2.46
2001	83,242	2.91%	6.38%	38.9	2.46
2002	88,120	3.02%	5.86%	39.4	2.48
2003	90,643	3.05%	2.86%	39.7	2.48
2004	92,823	3.08%	2.41%	40.2	2.51
2005	94,896	3.12%	2.23%	40.6	2.48
2006	98,641	3.22%	3.95%	40.9	2.51
2007	101,337	3.27%	2.73%	41.2	2.53

Sources: Population data is from the California Department of Finance and SANDAG.

Household and demographic characteristics estimates are from SANDAG Current Estimates, the U.S. Census Bureau Census 2000 and American Community Survey.

Income estimates are derived from data from the Bureau of Economic Analysis, U.S. Census Bureau Census 2000.

Current population estimates are from SANDAG.

Unemployment rate estimates are from the California Employment Development Department.

(1) Values in inflation-adjusted 2005 dollars.

(2) Per Capita Personal Income and Unemployment Rate are calculated on a calendar year basis, and therefore not yet available for 2007.

(3) Personal Income is the total aggregate income that correlates to the total population.

Educational Attainment

<u>% High School Graduate</u>	<u>% Bachelor's Degree or Higher</u>	<u>Personal Income (1,3) (millions)</u>	<u>Per Capita Personal Income (1) (2)</u>	<u>Unemployment Rate (2)</u>
n/a	n/a	\$ 4,291	\$ 61,659	n/a
n/a	n/a	4,614	63,297	n/a
93.10%	45.60%	5,028	64,259	2.50%
n/a	n/a	5,261	63,205	2.70%
n/a	n/a	5,476	62,138	3.40%
n/a	n/a	5,545	61,178	3.40%
n/a	n/a	5,842	62,937	3.10%
95.00%	46.90%	6,017	63,403	2.80%
95.40%	53.00%	6,338	64,252	2.60%
n/a	n/a	n/a	n/a	n/a

CITY OF CARLSBAD

**Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	
Manufacturing						
Callaway Golf	2,000	1	3.60%	2,400	1	
Invitrogen Corp.	900	2	1.62%			
Taylor Made-Adidas Golf Co.	727	3	1.31%	450	6	
Acushnet Golf	535	4	0.96%			
Zimmer Dental	391	5	0.70%			
Hoehn Motors	300	6	0.54%			
Upper Deck	300	7	0.54%	500	5	
Modern Postcard	270	8	0.49%			
Beckman Coulter	260	9	0.47%			
Syntron Bioresearch Inc.	250	10	0.45%			
Schumacher	250	10	0.45%	280	10	
Nelcor Puritan Bennett Corp.				1,500	2	
West Coast Composite				700	3	
Cobra Golf, Inc., II				675	4	
Ashworth, Inc.				394	7	
Palomar Products				300	8	
Asymtek				280	9	
Non-Manufacturing						
Four Seasons Resort Aviara	1,000	1	1.80%	900	3	
Carlsbad Unified School District	950	2	1.71%	750	5	
City of Carlsbad	834	3	1.50%	750	6	
ViaSat, Inc.	811	4	1.46%	350	10	
Gemological Institute of America	660	5	1.19%	466	8	
La Costa Resort & Spa	501	6	0.90%	950	2	
24-Hour Fitness, USA	350	7	0.63%			
San Diego Gas & Electric	325	8	0.59%			
LEGOLAND California	251	9	0.45%			
FedEx Express	250	10	0.45%			
Jenny Craig	250	10	0.45%			
Plaza Camino Real	n/a			3,000	1	(2)
Carlsbad Company Stores	n/a			750	4	(2)
Car Country Carlsbad	n/a			550	7	(2)
SOMC Group, Inc.	n/a			380	9	
Subtotal Employees	12,365		22.26%	16,325		
Total Employees	55,538			n/a (1)		

Source: Carlsbad Business License Data (2007) and Carlsbad Chamber of Commerce (1998).

(1) Total Employee count is not available for 1998.

(2) These employers are now tracked by individual store versus combined by mall name.



CITY OF CARLSBAD

**Authorized Full and 3/4 Time City Government Employees by Major Service Area
Last Ten Fiscal Years**

<u>Major Service Area</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Government					
City Council	1.00	1.00	1.00	1.00	1.00
City Manager	8.00	9.00	6.75	6.00	6.00
Communications	-	-	-	1.00	1.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
City Attorney	5.00	5.00	6.00	6.00	7.00
Administration	-	-	2.00	2.00	2.00
Records Management	3.60	4.00	8.00	8.00	8.00
Information Technology	6.40	13.00	14.00	15.00	15.00
Finance	19.00	19.00	26.00	27.00	27.00
Risk Management	1.00	2.00	2.00	2.00	2.00
Human Resources and Worker's Comp	8.00	8.00	9.00	9.00	10.00
Public Safety					
Police	122.00	128.00	134.00	138.00	143.00
Fire	79.00	79.00	79.75	79.75	79.75
Community Development					
Community Development Administration	4.75	4.75	4.75	3.75	3.00
Building Inspection	13.00	13.00	13.00	13.00	13.00
Economic Development	1.00	1.00	1.00	1.00	1.00
Geographic Information	1.00	2.00	2.00	2.00	2.00
Planning	24.00	24.00	24.00	24.00	25.00
Housing and Redevelopment	10.00	10.00	10.00	10.00	10.00
Community Services					
Library	32.50	32.25	40.75	41.75	46.25
Cultural Arts	3.00	3.00	4.00	4.00	4.75
Recreation & Senior Programs	21.50	21.50	22.00	27.00	30.00
Public Works					
Administration & Environmental Programs	7.00	7.25	3.00	3.00	3.50
Engineering Services	34.00	37.00	49.00	48.70	58.70
General Services	50.75	47.25	51.75	55.75	57.25
Maintenance & Operations	76.75	81.25	70.00	70.30	70.30
Full and 3/4 Time Authorized Employees	533.00	553.00	584.50	599.75	627.25
Increase/(decrease) over prior year	7.50	20.00	31.50	15.25	27.50

Source: City of Carlsbad Operating Budget

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick-leave).

A 3/4 time employee is scheduled to work 1,560 hours per year (including vacation and sick-leave).

2003	2004	2005	2006	2007
1.00	1.00	1.00	1.00	1.00
6.00	6.00	6.00	6.00	7.00
2.75	2.75	2.75	2.75	3.75
0.75	0.75	0.75	0.75	0.75
7.00	7.00	7.00	7.00	7.00
2.00	2.00	2.00	2.00	2.00
8.00	8.00	8.00	8.00	8.00
16.00	16.00	16.00	16.00	19.00
28.00	28.00	28.00	27.00	28.00
2.00	2.00	2.00	2.00	2.00
10.00	10.00	10.00	10.00	10.00
150.00	148.00	148.00	151.00	157.00
79.75	79.75	79.75	79.75	87.75
3.00	3.00	3.00	4.00	5.00
13.00	13.00	13.00	13.00	13.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	3.00
25.00	25.00	25.00	24.00	27.00
10.00	10.00	10.00	10.00	10.00
48.00	48.00	48.00	48.00	48.00
4.75	5.00	5.00	5.00	5.00
33.00	33.00	32.50	32.50	30.50
6.00	6.00	14.20	14.20	18.00
57.00	57.00	51.10	51.60	54.00
57.75	58.75	82.85	91.95	95.25
73.00	73.00	47.10	49.50	47.00
646.75	646.00	646.00	660.00	690.00
19.50	(0.75)	-	14.00	30.00

CITY OF CARLSBAD

**Operating Indicators by Function/Program
Last Three Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government			
Number of recruitments processed	67	83	78
Number of new hires and promotions	50	135	119
Business licenses processed	8,507	8,955	8,926
Public Safety			
Police			
Calls for service	74,546	79,855	95,002
Average priority one response (minutes)	6.8	6.3	6.0
Cases	10,059	10,605	8,857
Fire			
Emergency responses	6,705	7,245	7,861
Fires extinguished	220	218	234
Community Development			
Affordable housing units completed	439	110	110
Financial assistance to affordable housing projects	\$1,600,000	\$1,440,000	\$2,132,000
Residential building permits issued	1,745	943	472
Code enforcement inspections	5,600	5,600	6,800
Building inspections conducted	53,267	51,000	33,523
Final inspections (dwelling units)	1,702	1,440	765
Planning applications considered	197	162	200
Community Services			
Library - total material circulation	1,282,974	1,237,311	1,286,654
Library - patron visits	731,326	898,511	685,782
Arts - number of events	65	62	58
Arts - attendance of events	50,000	65,000	64,000
Recreation - youth sports participants	1,100	1,150	1,150
Recreation - adult sports participants	5,100	5,150	5,200
Recreation - enrichment classes held	1,650	1,650	1,650
Recreation - enrichment class enrollees	16,700	16,700	16,700
Recreation - special events participants	2,000	3,500	6,500
Public Works			
Streets			
Road miles - overlay or slurry seal	28.20	32.30	23.80
Trees trimmed	1,767	1,800	1,811
Carlsbad Municipal Water District			
Potable water deliveries - acre feet	19,172	19,885	21,500
Average daily consumption (gal/single family)	363	398	393
Water customers	20,281	23,099	25,791
Wastewater			
Sewage pumped (millions of gallons per day)	7.36	6.62	6.81
Annual flow (millions of gallons)	2,688	2,416	2,486
Wastewater customers	16,454	18,754	20,858

Source: City of Carlsbad

CITY OF CARLSBAD

**Capital Asset Statistics
Last Three Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Community Services			
Number of parks	30	30	31
Acres of parks	295	295	348
Acres of open space	625	625	625
Miles of trails	13	27	35
Number of pools	1	1	1
Number of community centers	2	2	2
Number of libraries	2	2	2
Number of materials in library collections	373,998	356,385	371,885
Public Safety			
Fire Protection			
Number of stations	6	6	6
Number of fire trucks	11	11	11
Number of ambulances	4	4	5 *
Number of other fire vehicles	11	11	13 *
Police Protection			
Number of patrol and other vehicles	85	82	90 *
Number of motorcycles	13	13	12 *
Public Works			
Carlsbad Municipal Water District			
Miles of lines and mains	431	434	442
Wastewater			
Miles of sewers	232	254	265
Streets			
Miles of streets	295	308	332
Number of street lights	6,445	6,786	7,444
Number of traffic signals	138	152	155

Source: City of Carlsbad

* Includes new replacement vehicles, and excludes vehicles classified as out-of-service at June 30th of that particular fiscal year.

